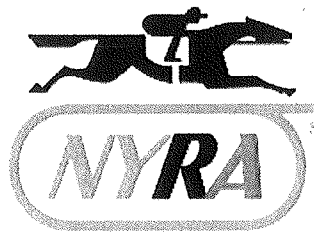


**The New York Racing Association, Inc.**  
**2011 Operating Budget:**  
**Revised in January 2011 to Reflect the Closure of New York City OTB on**  
**December 8, 2010**



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## STRATEGIC DEVELOPMENTS

Post-NYCOTB Closing on December 8, 2010 -

### - **Aqueduct Attendance**

During January 2011, daily average race day attendance increased 45% to 4,510, an incremental 1,395 patrons. Dark day attendance more than doubled to almost 700 patrons. These attendance levels have remained generally consistent during the first three weeks of February. Attendance has been supported by the provision of free bus service from locations in Brooklyn, Manhattan and Queens. On average, 186 patrons per day ride the bus to Aqueduct (compared to average daily attendance for race days and dark days combined of 2,794).

Aqueduct opened for dark day simulcast on December 13, 2010 and will remain open as a simulcast facility for the remainder of the year. (In 2010, Aqueduct was not open during Belmont and Saratoga race meets). Although daily average attendance figures are difficult to project, it is reasonable to expect minimum daily average attendance of 1,400 patrons at Aqueduct on live race days at Belmont Park and Saratoga. The Revised 2011 Budget assumes we expect to continue bus service for the remainder of 2011.

### - **Belmont Café**

On December 12, 2010, NYRA opened the Belmont Café, a 20,000 square foot section of the ground floor of Belmont Park with 98 self-serve tote terminals and 8 tellers on race days. During its first 63 days, Belmont Café welcomed over 12,000 patrons, an average of 197 per day, and on some Saturday's attendance has exceeded the café's 450 seat capacity.

The café quickly established itself as a significant contributor to handle. During January 2011, Belmont Café generated \$2.8 million of handle which represented 11% of total on-track handle. For the full year, we expect Belmont Café to generate up to \$40 million of handle and \$3.8 million of net revenue (after purses, taxes and fees). The operating expense budget is \$960,000. Capital expenditures are estimated at \$160,000 to add heating and cooling units, furniture and televisions. Belmont Café has the potential to contribute almost \$2.7 million of free cash flow annually.

### - **Significant Growth In On-Track Handle With A Meaningful Increase in Imports**

The closure of OTB has resulted in a significant increase in on-track handle with a notable shift in wagering on imports. During January 2011, on-track handle increased \$12.0 million or 56% to \$33.5 million. Import handle represented 55% of on-track handle compared to 47% in January 2010. Imported tracks in the month of January included Gulfstream, Santa Anita, Fair Grounds, Philadelphia, Penn National, Tampa Bay and Golden Gate.

For the full year 2011, on-track handle is expected to increase \$93.1 million or 34% to \$370.1 million. Imports are expected to represent 37% of on-track handle compared to 29% in 2010.

### - **On-Track Handle By Platform: Internet and Telephone**

Internet and telephone wagering have increased significantly. During January 2011, Internet handle increased \$2.4 million or 125% to \$4.4 million. Internet handle represented 13% of on-track handle compared to 9% in January 2010. For the full year, Internet handle is expected to increase \$48.8 million to \$77.8 million, which is expected to represent 13% of on-track handle. The growth in Internet handle has been fueled by NYRA's ability to video stream races,

effective as of December 29, 2010. Furthermore, effective as of February 9, 2011, 18 simulcast signals were available for streaming on the NYRA Rewards website.

During January 2011, telephone handle doubled to \$3.1 million. Telephone handle represented 9% of on-track handle compared to 7% in January 2010. For the full year, Telephone handle is expected to increase \$19.8 million to \$43.6 million, which is expected to represent 7% of on-track handle.

– **Telebet**

During January 2011, the NYRA Telebet operation processed 122,085 calls, more than triple the number of calls processed in January 2010. Telebet calls generated \$3.1 million of handle in January 2011 compared to \$1.6 million in 2010. The average wager per call declined to \$24 from \$45.

The Telebet phone operation has experienced significant capacity constraints. Prior to mid-February, the system had the capacity to process 48 concurrent calls. To help alleviate capacity constraints we moved our voice recognition processor to a super-server facility in Boston, Massachusetts. The new facility has the capacity to process 700 concurrent phone calls. The NYRA Rewards 800 number (1-800-the-NYRA) calls are now directed to the high capacity hosting server. By pressing zero, the patron is directed to the Telebet operation (still limited to 48 concurrent calls); however, the new configuration should enable all calls to be answered.

**NYRA Rewards Account Wagering**

Since NYCOTB closed on December 8, 2010, NYRA Rewards has attracted 5,459 new accounts, increasing the number of active NYRA Rewards to 12,086 as of February 2011. During January 2011, account wagering increased \$4.8 million or 65% to \$12.3 million. The revised 2011 budget assumes account wagering handle will increase \$109.4 million or 96.4% to \$222.9 million. The growth in NYRA Rewards accounts has been fueled by the ability to offer instant sign-ups (beginning December 15, 2010), video streaming on the NYRA Rewards website and significant promotional support. In December 2010, NYRA began offering double cash rewards during the three months ended March 31, 2011 for customers who signed up for NYRA rewards accounts by December 31, 2010. During January, NYRA began offering \$100 to account holders who signed-up during the month and wagered at least \$100.

**Cable Distribution and Enhanced NYRA TV Offering: *The NYRA Network***

In December 2010, NYRA secured cable distribution on Channel 71, the public access channel on Time Warner Cable, and quickly enhanced its television offering. On February 14, NYRA began the new dark day show "*The NYRA Network Presents Raceday*". Today, from 11am to 11pm the NYRA Network airs content featuring NYRA live races, highlights from tracks around the country and, beginning on February 10, 2011, coverage of Yonkers Raceway and nighttime thoroughbred tracks into the evening.

During 2011, the budgeted incremental cost to the NYRA television operation is \$2.6 million, which reflects the cost of cable distribution, the new dark day show, additional payroll costs to extend to 11pm the hours operation at Belmont Café and Aqueduct and the cost of a fiber feed from Aqueduct to the Bronx cable headend, offset in part by payments from Yonkers Raceway

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to broadcast their races. Yonkers will pay NYRA 25% of cable contract cost beginning as of February 2011.

## New York OTB

### Handle

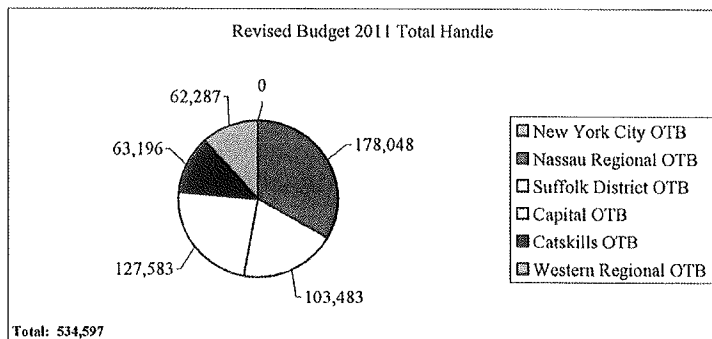
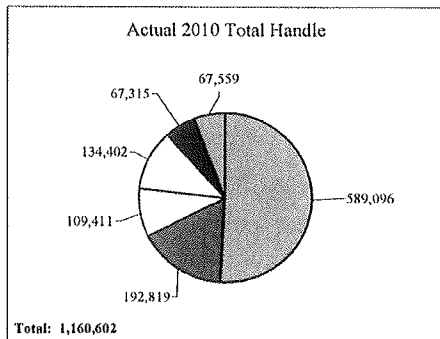
In 2010, the New York OTB Network generated handle of \$1.2 billion, \$435.0 million or 37% of which was on NYRA races and \$726.0 million or 63% of which was on non-NYRA races. New York City OTB generated handle of \$589.0 million, \$208.0 million or 35% of which was on NYRA and \$381.0 million or 64% of which was on non-NYRA.

In 2011, the New York OTB network is expected to generate \$535.0 million of handle with \$207.0 million and \$327.0 million on NYRA and non-NYRA, respectively. The full year budget considers actual results in January 2011 for the five remaining OTB's. In January 2011, Nassau, Catskills and Western Regional OTB experienced 11 to 12 percent declines in handle. Suffolk and Capital OTB declined 5 to 6 percent.

### Revenue

In 2010, NYRA earned revenue from the New York OTB network of \$68.5 million, \$26.4 million or 39% related to NYRA races and \$31.6 million or 46% of which related to non-NYRA races and \$10.5 million for the right to broadcast NYRA races on cable.

Reflecting the complete closure of New York City OTB, the 2011 revised budget reflects \$29.3 million of revenue from the New York OTB network of which \$11.8 million or 40% relates to NYRA races; \$14.6 million or 50% relates to non-NYRA races and \$2.8 million is for the right to broadcast NYRA races on cable.



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# COMPARISON OF REVISED BUDGET TO ORIGINAL BUDGET AND UNAUDITED 2010 RESULTS

| (in thousands)                     | ACTUAL<br>(unaudited)<br>2010 | ORIGINAL<br>2011<br>BUDGET | REVISED<br>2011<br>BUDGET | ORIGINAL vs. REVISED<br>CHANGE | NOTES:  |
|------------------------------------|-------------------------------|----------------------------|---------------------------|--------------------------------|---|
| <b>REVENUE</b>                     |                               |                            |                           |                                |   |
| On-Track take out                  | 72,639                        | 74,625                     | 107,386                   | 32,961 44%                     | Increase in on-track handle   |
| On-Track brookage                  | 1,419                         | 1,488                      | 2,186                     | 697 47%                        |   |
| New York OTB                       | 68,470                        | 60,986                     | 29,268                    | (31,719) -52%                  | Loss of NYCOTB & lower numbers for remaining networks               |
| Intrastate simulcasting            | 3,370                         | 3,488                      | 3,552                     | 64 2%                          |   |
| Interstate simulcasting            | 76,984                        | 81,403                     | 77,794                    | (3,609) -4%                    | Lower trend in 2011 than originally anticipated                     |
| International simulcasting         | 1,664                         | 1,940                      | 1,928                     | (12) -1%                       |   |
| On track racing related revenue    | 15,751                        | 14,931                     | 15,217                    | 286 2%                         | Increase in food concessions  |
| Other revenue                      | 21,996                        | 15,658                     | 15,192                    | (466) -3%                      | Loss flea market (\$3.1m) and lower ESPN Belmont                    |
| VLT revenue                        | -                             | 19,127                     | 16,160                    | (2,968) -16%                   | Later casino opening than originally anticipated                    |
| VLT Capital Fund                   | -                             | 7,286                      | 6,156                     | (1,130) -16%                   |   |
| <b>GROSS REVENUE</b>               | <b>262,293</b>                | <b>280,933</b>             | <b>275,038</b>            | <b>(5,895) -2%</b>             |   |
| <b>COST OF SALES</b>               |                               |                            |                           |                                |   |
| COS - News Stand                   | 886                           | 702                        | 707                       | 5 1%                           |   |
| NYRA Rewards Rebate                | 2,976                         | 2,844                      | 4,028                     | 1,184 42%                      | Increase in NYRA Rewards activity                                   |
| COS-Programs                       | 1,190                         | 1,034                      | 1,133                     | 99 10%                         |   |
| COS - Food & Beverage              | 2,920                         | 2,627                      | 2,628                     | 1 0%                           |   |
| COS-Gift Shop Items                | 473                           | 374                        | 392                       | 19 5%                          |   |
| <b>TOTAL COST OF SALES</b>         | <b>8,444</b>                  | <b>7,581</b>               | <b>8,888</b>              | <b>1,307 17%</b>               |   |
| <b>STATUTORY PAYMENTS</b>          |                               |                            |                           |                                |   |
| Stakes & Purses                    | 92,027                        | 102,130                    | 93,562                    | (8,568) -8%                    | Change net of \$11.2m write-off (\$10m decline excluding write-off) |
| Stakes & Purses - VLT funding      | -                             | 11,840                     | 10,094                    | (1,837) -16%                   | Later casino opening than originally anticipated                    |
| Pari Mutuel Tax                    | 5,595                         | 5,812                      | 8,412                     | 2,599 45%                      | Increased on-track wagering   |
| Breeding Fund                      | 2,753                         | 4,647                      | 5,686                     | 1,039 22%                      | Increased on-track wagering   |
| NYS R&W Board                      | 1,966                         | 2,018                      | 2,962                     | 944 47%                        | Increased on-track wagering   |
| <b>TOTAL STATUTORY PAYMENTS</b>    | <b>102,341</b>                | <b>126,447</b>             | <b>120,626</b>            | <b>(5,821) -5%</b>             |   |
| <b>NET REVENUE</b>                 | <b>151,508</b>                | <b>146,905</b>             | <b>145,524</b>            | <b>(1,381) -1%</b>             |   |
| <b>EXPENSES</b>                    |                               |                            |                           |                                |   |
| Salaries & Wages                   | 56,299                        | 57,965                     | 59,244                    | 1,280 2%                       | 3% raises & \$1.4m in mutuels and TV staff                          |
| Payroll Taxes                      | 4,455                         | 4,350                      | 4,343                     | (6) 0%                         |   |
| Benefits                           | 15,024                        | 18,748                     | 19,109                    | 361 2%                         | Premium increases   |
| Travel & Entertainment             | 2,405                         | 2,196                      | 2,198                     | 2 0%                           |   |
| Operating Supplies                 | 2,047                         | 2,203                      | 2,265                     | 2 0%                           |   |
| Utilities                          | 7,256                         | 7,620                      | 7,515                     | (104) -1%                      |   |
| Dues & Subscriptions               | 734                           | 726                        | 717                       | (9) -1%                        |   |
| Temporary Help                     | 4,145                         | 3,588                      | 3,601                     | 13 0%                          |   |
| Outside Services                   | 3,813                         | 3,831                      | 5,241                     | 1,410 37%                      | Buses   |
| Cable Contract                     | 278                           | -                          | 2,267                     | 2,267                          | Cable deal & costs net of Yonkers                                   |
| Telephone & Communications         | 1,687                         | 1,540                      | 1,534                     | (6) 0%                         |   |
| Professional Fees:                 |                               |                            |                           |                                |   |
| Legal                              | 3,199                         | 2,160                      | 2,181                     | 21 1%                          |   |
| Audit/Tax                          | 732                           | 600                        | 555                       | (45) -8%                       |   |
| Other Consulting                   | 2,173                         | 2,575                      | 2,724                     | 149 6%                         | Unchanged from Original Budget                                      |
| Information Technology             | 1,269                         | 1,441                      | 1,424                     | (17) -1%                       |   |
| Rentals & Leases                   | 3,428                         | 3,226                      | 3,581                     | 355 11%                        | Increased tote fees, result of higher on-track wagering             |
| Repairs & Maintenance              | 6,749                         | 7,727                      | 7,753                     | 26 0%                          |   |
| Insurance                          | 7,164                         | 7,196                      | 7,034                     | (162) -2%                      | Has a one-time hit from legacy Gulf Insurance policy                |
| Marketing & Advertising            | 3,588                         | 3,520                      | 3,770                     | 250 7%                         |   |
| Charitable Contributions           | 1,405                         | 1,387                      | 1,429                     | 42 3%                          |   |
| Bad Debt Expense                   | 21,806                        | 450                        | 418                       | (32) -7%                       | Large write-down in 2010, primarily NYCOTB                          |
| Real Estate & Other Taxes          | 1,208                         | 1,152                      | 1,144                     | (8) -1%                        |   |
| Other Expenses                     | 1,811                         | 1,668                      | 1,653                     | (15) -1%                       |   |
| <b>TOTAL OPERATING EXPENSES</b>    | <b>152,676</b>                | <b>135,867</b>             | <b>141,639</b>            | <b>5,772 4%</b>                |   |
| <b>OPERATING INCOME</b>            | <b>(1,168)</b>                | <b>11,038</b>              | <b>3,885</b>              | <b>(7,153) -65%</b>            |   |
| <b>NON-OPERATING EXPENSES</b>      |                               |                            |                           |                                |   |
| Retiree Benefits                   | 4,966                         | 5,182                      | 5,100                     | (82) -2%                       |   |
| Pension                            | 6,553                         | 8,300                      | 5,506                     | (2,794) -34%                   | Received revised numbers from actuary                               |
| Interest Expense                   | 136                           | 480                        | 469                       | (11) -2%                       |   |
| Depreciation                       | 3,262                         | 4,500                      | 4,407                     | (93) -2%                       |   |
| Loss/(Gain)-Fixed Asset Sale       | (217)                         | -                          | -                         | -                              |   |
| Income Tax Expense                 | (0)                           | -                          | -                         | -                              |   |
| <b>TOTAL NON-OPERATING EXPENSE</b> | <b>14,699</b>                 | <b>18,462</b>              | <b>15,482</b>             | <b>(2,980) -16%</b>            |   |
| <b>NET INCOME/(LOSS)</b>           | <b>(15,867)</b>               | <b>(7,423)</b>             | <b>(11,597)</b>           | <b>(4,174) 56%</b>             |   |

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## 2011 REVISED BUDGET INCOME STATEMENT

| (in thousands)                     | Unaudited<br>2010<br>ACTUAL | REVISED<br>2011<br>BUDGET | CHANGE          |                |
|------------------------------------|-----------------------------|---------------------------|-----------------|----------------|
| <b>REVENUE</b>                     |                             |                           |                 |                |
| On-Track take out                  | 72,639                      | 107,586                   | 34,946          | 48.1%          |
| On-Track breakage                  | 1,419                       | 2,186                     | 767             | 54.0%          |
| New York OTB                       | 68,470                      | 29,268                    | (39,202)        | -57.3%         |
| Intrastate simulcasting            | 3,370                       | 3,552                     | 182             | 5.4%           |
| Interstate simulcasting            | 76,984                      | 77,794                    | 810             | 1.1%           |
| International simulcasting         | 1,664                       | 1,928                     | 265             | 15.9%          |
| On track racing related revenue    | 15,751                      | 15,217                    | (534)           | -3.4%          |
| Other revenue                      | 21,996                      | 15,192                    | (6,804)         | -30.9%         |
| VLT revenue                        | -                           | 16,160                    | 16,160          |                |
| VLT Capital Fund                   | -                           | 6,156                     | 6,156           |                |
| <b>GROSS REVENUE</b>               | <b>262,293</b>              | <b>275,038</b>            | <b>12,745</b>   | <b>4.9%</b>    |
| <b>COST OF SALES</b>               |                             |                           |                 |                |
| COS - News Stand                   | 886                         | 707                       | (179)           | -20.2%         |
| NYRA Rewards Rebate                | 2,976                       | 4,028                     | 1,052           | 35.4%          |
| COS-Programs                       | 1,190                       | 1,133                     | (57)            | -4.8%          |
| COS - Food & Beverage              | 2,920                       | 2,628                     | (292)           | -10.0%         |
| COS-Gift Shop Items                | 473                         | 392                       | (81)            | -17.1%         |
| <b>TOTAL COST OF SALES</b>         | <b>8,444</b>                | <b>8,886</b>              | <b>444</b>      | <b>5.3%</b>    |
| <b>STATUTORY PAYMENTS</b>          |                             |                           |                 |                |
| Stakes & Purses                    | 92,027                      | 93,562                    | 1,535           | 1.7%           |
| Stakes & Purses - VLT funding      | -                           | 10,004                    | 10,004          |                |
| Pari Mutuel Tax                    | 5,595                       | 8,412                     | 2,817           | 50.4%          |
| Breeding Fund                      | 2,753                       | 3,686                     | 2,934           | 106.6%         |
| NYS R&W Board                      | 1,966                       | 2,962                     | 996             | 50.7%          |
| <b>TOTAL STATUTORY PAYMENTS</b>    | <b>102,341</b>              | <b>120,626</b>            | <b>18,285</b>   | <b>17.9%</b>   |
| <b>NET REVENUE</b>                 | <b>151,508</b>              | <b>145,524</b>            | <b>(5,984)</b>  | <b>-3.9%</b>   |
| <b>EXPENSES</b>                    |                             |                           |                 |                |
| Salaries & Wages                   | 56,299                      | 59,244                    | 2,945           | 5.2%           |
| Payroll Taxes                      | 4,455                       | 4,343                     | (111)           | -2.5%          |
| Benefits                           | 15,024                      | 19,109                    | 4,084           | 27.2%          |
| Travel & Entertainment             | 2,403                       | 2,198                     | (207)           | -8.6%          |
| Operating Supplies                 | 2,047                       | 2,205                     | 158             | 7.7%           |
| Utilities                          | 7,256                       | 7,515                     | 259             | 3.6%           |
| Dues & Subscriptions               | 734                         | 717                       | (17)            | -2.4%          |
| Temporary Help                     | 4,145                       | 3,601                     | (544)           | -13.1%         |
| Outside Services                   | 3,813                       | 5,241                     | 1,428           | 37.5%          |
| Cable Contract                     | 278                         | 2,267                     | 1,988           | 714.6%         |
| Telephone & Communications         | 1,687                       | 1,534                     | (153)           | -9.1%          |
| Professional Fees:                 |                             |                           |                 |                |
| Legal                              | 3,199                       | 2,181                     | (1,018)         | -31.8%         |
| Audit/Tax                          | 732                         | 555                       | (177)           | -24.2%         |
| Other Consulting                   | 2,173                       | 2,724                     | 551             | 25.4%          |
| Information Technology             | 1,269                       | 1,424                     | 155             | 12.2%          |
| Rentals & Leases                   | 3,428                       | 3,581                     | 153             | 4.5%           |
| Repairs & Maintenance              | 6,749                       | 7,753                     | 1,003           | 14.9%          |
| Insurance                          | 7,164                       | 7,034                     | (130)           | -1.8%          |
| Marketing & Advertising            | 3,588                       | 3,770                     | 182             | 5.1%           |
| Charitable Contributions           | 1,405                       | 1,429                     | 24              | 1.7%           |
| Bad Debt Expense                   | 21,806                      | 418                       | (21,388)        | -98.1%         |
| Real Estate & Other Taxes          | 1,208                       | 1,144                     | (64)            | -5.3%          |
| Other Expenses                     | 1,811                       | 1,653                     | (158)           | -8.7%          |
| <b>TOTAL OPERATING EXPENSES</b>    | <b>152,676</b>              | <b>141,639</b>            | <b>(11,037)</b> | <b>-7.2%</b>   |
| <b>OPERATING INCOME</b>            | <b>(1,168)</b>              | <b>3,885</b>              | <b>5,053</b>    | <b>-432.7%</b> |
| <b>NON-OPERATING EXPENSES</b>      |                             |                           |                 |                |
| Retiree Benefits                   | 4,966                       | 5,100                     | 134             | 2.7%           |
| Pension                            | 6,553                       | 5,506                     | (1,047)         | -16.0%         |
| Interest Expense                   | 136                         | 469                       | 333             | 245.8%         |
| Depreciation                       | 3,262                       | 4,407                     | 1,145           | 35.1%          |
| Loss/(Gain)-Fixed Asset Sale       | (217)                       | -                         | 217             | -100.0%        |
| Income Tax Expense                 | (0)                         | -                         | -               | 0.0%           |
| <b>TOTAL NON-OPERATING EXPENSE</b> | <b>14,699</b>               | <b>15,482</b>             | <b>782</b>      | <b>5.3%</b>    |
| <b>NET INCOME/(LOSS)</b>           | <b>(15,867)</b>             | <b>(11,597)</b>           | <b>4,270</b>    | <b>-26.9%</b>  |

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## 2011 HANDLE BY RACE MEET

The schedule below illustrates a year-over-year comparison of handle & revenue generated by NYRA by race meet:

|                        | ACTUAL<br>2010 | ORIGINAL<br>BUDGET<br>2011 | REVISED<br>BUDGET<br>2011 | REVISED<br>VERSUS<br>2010 |        |
|------------------------|----------------|----------------------------|---------------------------|---------------------------|--------|
|                        |                |                            |                           | \$                        | %      |
| <u>AQUEDUCT WINTER</u> |                |                            |                           |                           |        |
| Race dates             | 75             | 78                         | 75                        | -                         | 0.0%   |
| Live                   | 42,455,943     | 46,664,316                 | 65,117,153                | 22,661,211                | 53.4%  |
| Export                 | 443,786,042    | 494,147,000                | 371,900,615               | (71,885,427)              | -16.2% |
| Import                 | 40,783,307     | 41,964,951                 | 81,208,775                | 40,425,467                | 99.1%  |
| Total Handle           | 527,025,292    | 582,776,267                | 518,226,543               | (8,798,749)               | -1.7%  |
| <u>BELMONT SPRING</u>  |                |                            |                           |                           |        |
| Race dates             | 57             | 56                         | 56                        | (1)                       | -1.8%  |
| Live                   | 56,508,485     | 57,921,815                 | 78,348,349                | 21,839,863                | 38.6%  |
| Export                 | 491,375,139    | 509,702,889                | 424,416,104               | (66,959,035)              | -13.6% |
| Import                 | 25,587,280     | 25,970,479                 | 47,335,356                | 21,748,076                | 85.0%  |
| Total Handle           | 573,470,905    | 593,595,183                | 550,099,809               | (23,371,096)              | -4.1%  |
| <u>SARATOGA</u>        |                |                            |                           |                           |        |
| Race dates             | 40             | 40                         | 40                        | -                         | 0.0%   |
| Live                   | 126,761,875    | 130,881,634                | 149,579,011               | 22,817,136                | 18.0%  |
| Export                 | 425,630,039    | 421,166,821                | 377,186,065               | (48,443,974)              | -11.4% |
| Import                 | 18,329,759     | 18,971,300                 | 32,077,078                | 13,747,319                | 75.0%  |
| Total Handle           | 570,721,673    | 571,019,756                | 558,842,153               | (11,879,520)              | -2.1%  |
| <u>BELMONT FALL</u>    |                |                            |                           |                           |        |
| Race dates             | 35             | 37                         | 37                        | 2                         | 5.7%   |
| Live                   | 28,656,204     | 30,295,817                 | 41,079,073                | 12,422,869                | 43.4%  |
| Export                 | 263,752,467    | 264,769,398                | 233,824,216               | (29,928,251)              | -11.3% |
| Import                 | 12,165,718     | 12,352,363                 | 23,270,910                | 11,105,192                | 91.3%  |
| Total Handle           | 304,574,389    | 307,417,577                | 298,174,199               | (6,400,190)               | -2.1%  |
| <u>AQUEDUCT FALL</u>   |                |                            |                           |                           |        |
| Race dates             | 35             | 37                         | 37                        | 2                         | 5.7%   |
| Live                   | 23,314,175     | 20,172,204                 | 36,544,266                | 13,230,091                | 56.7%  |
| Export                 | 211,887,418    | 200,614,211                | 197,615,009               | (14,272,409)              | -6.7%  |
| Import                 | 18,660,608     | 18,328,063                 | 37,848,966                | 19,188,358                | 102.8% |
| Total Handle           | 253,862,201    | 239,114,479                | 272,008,241               | 18,146,040                | 7.1%   |
| <u>TOTAL</u>           |                |                            |                           |                           |        |
| Race dates             | 242            | 248                        | 245                       | 3                         | 1.2%   |
| Live                   | 277,696,682    | 285,935,786                | 370,667,852               | 92,971,170                | 33.5%  |
| Export                 | 1,836,431,105  | 1,890,400,320              | 1,604,942,009             | (231,489,096)             | -12.6% |
| Import                 | 115,526,673    | 117,587,156                | 221,741,084               | 106,214,411               | 91.9%  |
| Total Handle           | 2,229,654,460  | 2,293,923,262              | 2,197,350,945             | (32,303,515)              | -1.4%  |

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## 2011 DAILY AVERAGE HANDLE & PARI-MUTUEL REVENUE BY RACE MEET

The schedule below illustrates a year-over-year comparison of the daily average handle & revenue generated by NYRA by race meet:

|                        |              | <u>DAILY AVERAGES</u>  |                                     |                                    | <u>REVISED<br/>VERSUS<br/>2010</u> |          |
|------------------------|--------------|------------------------|-------------------------------------|------------------------------------|------------------------------------|----------|
| (\$ in thousands)      |              | <u>ACTUAL<br/>2010</u> | <u>ORIGINAL<br/>BUDGET<br/>2011</u> | <u>REVISED<br/>BUDGET<br/>2011</u> | <u>\$</u>                          | <u>%</u> |
| <u>AQUEDUCT WINTER</u> |              |                        |                                     |                                    |                                    |          |
|                        | Live         | 566,079                | 598,260                             | 868,229                            | 302,149                            | 53.4%    |
|                        | Export       | 5,917,147              | 6,335,218                           | 4,958,675                          | (958,472)                          | -16.2%   |
|                        | Import       | 543,777                | 538,012                             | 1,082,784                          | 539,006                            | 99.1%    |
|                        | Total Handle | 7,027,004              | 7,471,491                           | 6,909,687                          | (117,317)                          | -1.7%    |
| <u>BELMONT SPRING</u>  |              |                        |                                     |                                    |                                    |          |
|                        | Live         | 991,377                | 1,034,318                           | 1,399,078                          | 407,701                            | 41.1%    |
|                        | Export       | 8,620,616              | 9,101,837                           | 7,578,859                          | (1,041,757)                        | -12.1%   |
|                        | Import       | 448,900                | 463,759                             | 845,274                            | 396,375                            | 88.3%    |
|                        | Total Handle | 10,060,893             | 10,599,914                          | 9,823,211                          | (237,682)                          | -2.4%    |
| <u>SARATOGA</u>        |              |                        |                                     |                                    |                                    |          |
|                        | Live         | 3,169,047              | 3,272,041                           | 3,739,475                          | 570,428                            | 18.0%    |
|                        | Export       | 10,640,751             | 10,529,171                          | 9,429,652                          | (1,211,099)                        | -11.4%   |
|                        | Import       | 458,244                | 474,283                             | 801,927                            | 343,683                            | 75.0%    |
|                        | Total Handle | 14,268,042             | 14,275,494                          | 13,971,054                         | (296,988)                          | -2.1%    |
| <u>BELMONT FALL</u>    |              |                        |                                     |                                    |                                    |          |
|                        | Live         | 818,749                | 818,806                             | 1,110,245                          | 291,497                            | 35.6%    |
|                        | Export       | 7,535,785              | 7,155,930                           | 6,319,573                          | (1,216,211)                        | -16.1%   |
|                        | Import       | 347,592                | 333,848                             | 628,944                            | 281,352                            | 80.9%    |
|                        | Total Handle | 8,702,125              | 8,308,583                           | 8,058,762                          | (643,363)                          | -7.4%    |
| <u>AQUEDUCT FALL</u>   |              |                        |                                     |                                    |                                    |          |
|                        | Live         | 666,119                | 545,195                             | 987,683                            | 321,564                            | 48.3%    |
|                        | Export       | 6,053,926              | 5,422,006                           | 5,340,946                          | (712,980)                          | -11.8%   |
|                        | Import       | 533,160                | 495,353                             | 1,022,945                          | 489,785                            | 91.9%    |
|                        | Total Handle | 7,253,206              | 6,462,553                           | 7,351,574                          | 98,368                             | 1.4%     |
| <u>TOTAL</u>           |              |                        |                                     |                                    |                                    |          |
|                        | Live         | 1,147,507              | 1,152,967                           | 1,512,930                          | 365,423                            | 31.8%    |
|                        | Export       | 7,588,558              | 7,622,582                           | 6,550,784                          | (1,037,775)                        | -13.7%   |
|                        | Import       | 477,383                | 474,142                             | 905,066                            | 427,683                            | 89.6%    |
|                        | Total Handle | 9,213,448              | 9,249,691                           | 8,968,779                          | (244,669)                          | -2.7%    |

### Handle on NYRA Races

Live handle represents wagering on NYRA races through NYRA channels (on-track, phone, and internet) while Import handle presents wagering on other tracks through NYRA channels. Both Live and Import wagering are budgeted to increase significantly in 2011 as a result of the increased volumes experienced since the closure of NYCOTB. Through February 21, NYRA's Live and Import wagering have increased 34% and 102.5%, respectively.

Export handle represents wagering on NYRA races at other locations, including NY OTB's, other racetracks, and out-of-state ADW's. Export wagering is projected to decline \$1.0 million per race date; this is a direct result of the closure of NYCOTB coupled with a lower run-rate for the

remaining NY OTB's. Through February 20, NY OTB handle on NYRA races is down 59.8% in total and an average of 12.8% down for the remaining NY OTB's.

Race dates were budgeted similar to 2010; through February 15<sup>th</sup> we have lost 5 dates due to poor weather and have budgeted for an additional loss of 1 race day for the remainder of the year. The 2011 daily average handle is forecasted to decline 2.7% as a result of an almost \$1 million decline in daily export handle (primarily the result of the NYCOTB closure) offset by increased live and import handle.

#### **Impact of NYCOTB Closure on NYRA handle**

As a result of the NYCOTB closure and a focused marketing effort, NYRA's physical locations and ADW platform have experienced significant increases in volume. The schedule below illustrates the projected handle numbers for these venues/channels as compared to 2010.

| (in thousands)                      | ACTUAL<br>2010   | REVISED<br>BUDGET<br>2011 | CHANGE           |               |
|-------------------------------------|------------------|---------------------------|------------------|---------------|
| AQU                                 | 101,639          | 187,764                   | 86,125           | 84.7%         |
| BEL                                 | 123,110          | 167,554                   | 44,444           | 36.1%         |
| SAR                                 | 115,693          | 115,693                   | -                | 0.0%          |
| Internet                            | 28,958           | 77,784                    | 48,826           | 168.6%        |
| Telebet                             | 23,823           | 43,614                    | 19,791           | 83.1%         |
| Subtotal NYRA On-track              | 393,223          | 592,409                   | 199,186          | 50.7%         |
| NYRA Export                         | 1,836,431        | 1,604,942                 | (231,489)        | -12.6%        |
| <b>Total Handle on or thru NYRA</b> | <b>2,229,654</b> | <b>2,197,351</b>          | <b>(32,304)</b>  | <b>-1.4%</b>  |
| <b>Out-of state handle (OTB's)</b>  | <b>719,401</b>   | <b>359,806</b>            | <b>(359,595)</b> | <b>-50.0%</b> |

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## NYRA REVENUE

In 2011 NYRA's net revenue is budgeted to decrease 3.9% compared to 2010. Total gaming revenue increases 8.9% to \$244.6 million, a result of \$22.3 million of VLT revenue offset by \$2.2 million reduction in pari-mutuel revenues.

| (in thousands)                        | Unaudited      | REVISED        | 2010 vs. REVISED |               |
|---------------------------------------|----------------|----------------|------------------|---------------|
|                                       | ACTUAL         | BUDGET         | CHANGE           |               |
|                                       | 2010           | 2011           | \$               | %             |
| On-track Takeout                      | 74,058         | 109,772        | 35,713           | 48.2%         |
| Export revenue                        | 82,018         | 83,274         | 1,256            | 1.5%          |
| New York OTB                          | 68,470         | 29,268         | (39,202)         | -57.3%        |
| VLT Revenue                           | -              | 22,316         | 22,316           |               |
| <b>Sub-total gross gaming revenue</b> | <b>224,546</b> | <b>244,629</b> | <b>20,083</b>    | <b>8.9%</b>   |
| less:                                 |                |                |                  |               |
| Rewards Rebate                        | 2,976          | 4,028          | 1,052            | 35.4%         |
| Stakes & Purses                       | 92,027         | 93,562         | 1,535            | 1.7%          |
| VLT Stakes & Purses                   | -              | 10,004         | 10,004           |               |
| Other statutory payments              | 10,313         | 17,060         | 6,747            | 65.4%         |
| <b>Sub-total</b>                      | <b>105,316</b> | <b>124,654</b> | <b>19,337</b>    | <b>18.4%</b>  |
| <b>Net gaming revenue</b>             | <b>119,230</b> | <b>119,975</b> | <b>746</b>       | <b>0.6%</b>   |
| Other revenue                         | 21,996         | 15,192         | (6,804)          | -30.9%        |
| On-track racing related revenue       | 15,751         | 15,217         | (534)            | -3.4%         |
| <b>Sub-total other revenue</b>        | <b>37,747</b>  | <b>30,409</b>  | <b>(7,338)</b>   | <b>-19.4%</b> |
| less:                                 |                |                |                  |               |
| Cost of Sales                         | 5,468          | 4,860          | (609)            | -11.1%        |
| <b>Other revenue net</b>              | <b>32,279</b>  | <b>25,549</b>  | <b>(6,729)</b>   | <b>-20.8%</b> |
| <b>Net Revenue</b>                    | <b>151,508</b> | <b>145,524</b> | <b>(5,984)</b>   | <b>-3.9%</b>  |

### **On-track Takeout**

On-track takeout is the revenue generated from wagers placed at one of our tracks and through our NYRA Rewards ADW platform (phone & internet). On-track Takeout is budgeted to increase 48.2% in 2011 to \$109.8 million from \$74.1 million in 2010. The 48.2% increase is directly attributable to the increased volume wagering at NYRA facilities and ADW program as a result of the NYCOTB closure and NYRA's efforts to recapture that consumer base.

### **Export Revenue**

Export revenue (excluding NY OTB's) is budgeted to increase 1.5%, or \$1.2 million, in 2011 to \$83.3 million, the result of increased race dates and the presence of Elite wagering for a full year as opposed to the final six months of 2010.

### **New York OTB Revenue:**

NYRA receives from the NY OTB's three major categories of revenue: (1) statutory commissions on NYRA races; (2) statutory commissions on out-of-state thoroughbred wagering at OTB's; and (3) contractual content fees for the in-home broadcast of NYRA races on local cable channels.

Revenue for the NY OTB network is budgeted to decline 57.3%, or \$39.2 million, based on the closure of NYCOTB and a downward trend in handle for the remaining networks. In 2010

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NYCOTB accounted for \$37.6 million in revenue. The schedule below illustrates a year-over-year comparison of revenue generated by NYRA from each of the New York OTB's in each major category:

(in thousands)

|                                 | ACTUAL | REVISED | 2010 vs. REVISED |       |
|---------------------------------|--------|---------|------------------|-------|
|                                 | 2010   | BUDGET  | CHANGE           |       |
|                                 |        | 2011    | \$               | %     |
| NYRA RACES                      |        |         |                  |       |
| New York City OTB               | 13,525 | -       | (13,525)         | -100% |
| Nassau Regional OTB             | 4,739  | 4,246   | (493)            | -10%  |
| Suffolk District OTB            | 3,159  | 2,974   | (185)            | -6%   |
| Capital OTB                     | 2,456  | 2,357   | (98)             | -4%   |
| Catskills OTB                   | 1,524  | 1,376   | (148)            | -10%  |
| Western Regional OTB            | 958    | 846     | (112)            | -12%  |
| Total NYRA Revenue NY OTB's     | 26,361 | 11,799  | (14,562)         | -55%  |
| OUT-OF-STATE RACES              |        |         |                  |       |
| New York City OTB               | 16,401 | -       | (16,401)         | -100% |
| Nassau Regional OTB             | 5,017  | 4,790   | (227)            | -5%   |
| Suffolk District OTB            | 2,641  | 2,545   | (96)             | -4%   |
| Capital OTB                     | 3,355  | 3,285   | (70)             | -2%   |
| Catskills OTB                   | 2,008  | 1,936   | (72)             | -4%   |
| Western Regional OTB            | 2,168  | 2,087   | (81)             | -4%   |
| Total NON-NYRA Revenue NY OTB's | 31,590 | 14,643  | (16,947)         | -54%  |
| CONTRACT                        |        |         |                  |       |
| New York City OTB               | 7,700  | -       | (7,700)          | -100% |
| Nassau Regional OTB             | 964    | 964     | -                | 0%    |
| Suffolk District OTB            | 612    | 612     | -                | 0%    |
| Capital OTB                     | 700    | 700     | -                | 0%    |
| Catskills OTB                   | 310    | 310     | -                | 0%    |
| Western Regional OTB            | 233    | 233     | -                | 0%    |
| Total Contract Revenue NY OTB's | 10,519 | 2,819   | (7,700)          | -73%  |
| TOTAL                           |        |         |                  |       |
| New York City OTB               | 37,626 | -       | (37,626)         | -100% |
| Nassau Regional OTB             | 10,720 | 10,000  | (720)            | -7%   |
| Suffolk District OTB            | 6,412  | 6,131   | (281)            | -4%   |
| Capital OTB                     | 6,511  | 6,342   | (168)            | -3%   |
| Catskills OTB                   | 3,843  | 3,622   | (220)            | -6%   |
| Western Regional OTB            | 3,359  | 3,166   | (193)            | -6%   |
| Total Revenue NY OTB's          | 68,470 | 29,261  | (39,209)         | -57%  |

### On-track Racing Related Revenue

In addition to wagering related revenue, NYRA receives On-track racing related revenues from the following activities; parking, gate admissions, reserved seats, concessions, and program and newspaper sales. These revenues are budgeted to remain flat at \$15 million.

### Other Revenue

Other revenue consists mainly of TV rights fees, flea market revenue, sponsorship sales, simulcast content fees, group sales, decoder rentals, stall fees and various other miscellaneous items. Other revenue is budgeted at \$15.2 million which is a \$6.8 million decline compared to the 2010 due to the loss of Aqueduct Flea Market rental revenue (\$3.1 million) and a decline of \$3 million in TV rights payments for the broadcast of the Belmont Stakes. On February 17, 2010 NYRA entered into a five year \$7.9 million agreement with NBC Universal to televise the Belmont Stakes. Included in

the agreement, but not factored into the 2011 Budget, are six thirty-second advertising spots per year that NYRA has the rights to sell.

### VLT Revenue

The 2011 Budget assumes that Phase-1 of the Aqueduct Casino will open September 1, 2011 with 3,300 VLT's operating with a Phase-2 opening (4,500 VLT's) on October 1, 2011. A \$300 win per machine is budgeted for 2011. The schedule below illustrates the budgeted amounts for each type of VLT payment.

| (in thousands)                                 | REVISED<br>BUDGET | ANNUALIZED       |
|--|-------------------|------------------|
|  | 2011              |                  |
| NYRA Operating Payments (3% of gross win)      | \$ 4,617          | \$ 14,783        |
| NYRA Capital Investment Fund (4% of gross win) | 6,156             | 19,710           |
| Purse Payments (6.5% of gross win)             | 10,004            | 32,029           |
| Breeding Fund Payments (1% of gross win)       | 1,539             | 4,928            |
| <b>Total VLT Payments</b>                      | <b>\$ 22,316</b>  | <b>\$ 71,449</b> |

Note: The schedule above is based on year-1 gross win percentages for both purse and breeder payments

### PURSES

Total accrued and cash purses are budgeted at \$103.5 million in 2011, an \$11.3 million increase over 2010 accrued purses. It should be noted that 2010 accrued purses of \$92.2 million give effect to an \$11.2 million purse liability write-down associated with bad debt, of which \$10.4 million is related to NYCOTB, \$385,000 to Nassau OTB, and \$432,000 to Magna bankruptcy.

The schedule below illustrates a comparison of purses accrued, purses paid in cash and the impact on the purse liability for 2010 and the 2011 Revised Budget.

| (in thousands)                   | ACTUAL<br>(unaudited)<br>2010 | REVISED<br>BUDGET<br>2011 |
|----------------------------------|-------------------------------|---------------------------|
|                                  |                               |                           |
| Accrued Purses                   | 103,231                       | 93,562                    |
| VLT Purses                       | -                             | 10,004                    |
| Write-down (Bad Debt)            | (11,204)                      | 0                         |
| Purses paid (cash)               | (99,660)                      | (103,566)                 |
| <b>Change in Purse Liability</b> | <b>(7,633)</b>                | <b>-</b>                  |

|                                  |              |              |
|----------------------------------|--------------|--------------|
| <b>Beginning Purse Liability</b> | 12,992       | 5,359        |
| <b>Ending Purse Liability</b>    | <b>5,359</b> | <b>5,359</b> |

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**NYRA Rewards**

NYRA Rewards rebates are projected to increase 35.4% (or \$1 million) as a result of the budgeted increase in ADW activity.

**Other Statutory Payments**

These payments include New York Pari Mutuel Tax (\$8.4 million), Breeding Fund payments (\$5.7 million) and New York State Racing and Wagering Board fees (\$2.9 million). All of these payments are statutory and calculated as a percentage of On-track Takeout, in 2011 the one exception is that the Breeding Fund will also receive VLT payments (1% of gross win). Of the \$6.7 million (or 65%) increase in statutory payments, \$5.2 million is attributable to higher On-track Takeout while the remaining \$1.5 million are VLT payments to the Breeding Fund.

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## OPERATING EXPENSES

Total operating expenses, adjusted for Bad Debt Expense, are budgeted to increase 7.9%, or \$10.4 million in 2011. The primary drivers of this increase include Salaries & Wages (\$3 million increase), Benefits (\$4 million increase), the new cable contract for NYRA TV (\$2 million), Repairs & Maintenance (\$1 million), offset by an estimated \$1.5 million in operating saving associated with the agreed upon shared services agreement with Genting which is currently awaiting regulatory approval..

The schedule below illustrates the 2011 operating expenses as compared to 2010 followed by explanations for the major line items:

| (in thousands)                           | Unaudited      | REVISED        | 2010 vs. REVISED |              |
|--|----------------|----------------|------------------|--------------|
|  | ACTUAL         | BUDGET         | CHANGE           |              |
|  | 2010           | 2011           | \$               | %            |
| <b>Operating Expenses</b>                |                |                |                  |              |
| Salaries & Wages                         | 56,299         | 59,244         | 2,945            | 5.2%         |
| Payroll Taxes                            | 4,455          | 4,343          | (111)            | -2.5%        |
| Benefits                                 | 15,024         | 19,109         | 4,084            | 27.2%        |
| Travel & Entertainment                   | 2,405          | 2,198          | (207)            | -8.6%        |
| Utilities                                | 7,256          | 7,515          | 259              | 3.6%         |
| Dues & Subscriptions                     | 734            | 717            | (17)             | -2.4%        |
| Temporary Help                           | 4,145          | 3,601          | (544)            | -13.1%       |
| Outside Services                         | 3,813          | 5,241          | 1,428            | 37.5%        |
| Cable Contract                           | 278            | 2,267          | 1,988            | 714.6%       |
| Telephone & Communications               | 1,687          | 1,534          | (153)            | -9.1%        |
| Professional Fees:                       |                |                |                  |              |
| Legal                                    | 3,199          | 2,181          | (1,018)          | -31.8%       |
| Audit/Tax                                | 732            | 555            | (177)            | -24.2%       |
| Other Consulting                         | 2,173          | 2,724          | 551              | 25.4%        |
| Information Technology                   | 1,269          | 1,424          | 155              | 12.2%        |
| Rentals & Leases                         | 3,428          | 3,581          | 153              | 4.5%         |
| Repairs & Maintenance                    | 6,749          | 7,753          | 1,003            | 14.9%        |
| Operating Supplies                       | 2,047          | 2,205          |                  |              |
| Insurance                                | 7,164          | 7,034          | (130)            | -1.8%        |
| Marketing & Advertising                  | 3,588          | 3,770          | 182              | 5.1%         |
| Charitable Contributions                 | 1,405          | 1,429          | 24               | 1.7%         |
| Bad Debt Expense                         | 21,806         | 418            | (21,388)         | -98.1%       |
| Real Estate & Other Taxes                | 1,208          | 1,144          | (64)             | -5.3%        |
| Other Expenses                           | 1,811          | 1,653          | (158)            | -8.7%        |
| <b>Total Operating Expenses</b>          | <b>152,676</b> | <b>141,639</b> | <b>(11,037)</b>  | <b>-7.2%</b> |
| Less: Bad Debt                           | 21,806         | 418            | (21,388)         | -98.1%       |
| <b>Total Adjusted Operating Expenses</b> | <b>130,869</b> | <b>141,221</b> | <b>10,352</b>    | <b>7.9%</b>  |

### **Salaries & Wages**

Salaries & Wages are budgeted to increase \$2.9 million, or 5.2% in 2011. Included in this projection is 3% for employee wage increases and \$1.4 million of incremental labor costs a result of increased Mutuels and NYRA TV staffing. NYRA's two largest union contracts (mutuels & maintenance) expire in 2011. The budget does not assume any material economic benefits from the upcoming negotiations.

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### **Benefits**

Employee related benefits are budgeted to increase 27.2% to \$19.1 million compared to \$15 million in 2010. Major line items consist of \$8.6 million in NYRA administered medical benefits, \$900,000 in employee 401k match and \$9.6 million of fringe payments made directly to unions. The primary drivers of this year-over-year increase are related to increases in NYRA administered health plan premiums. Several factors contribute to this increase, including a 36.7% increase in healthcare due to rising healthcare costs and a significant spike in claims correlated with WARN Act notices issued in May 2010.

### **Temporary Help**

During the Belmont Stakes and Saratoga race meet, NYRA employs a large number of temporary employees in order to staff these events. The 2010 cost for temporary help was \$4.1 million which gives effect to a 29.5% mark-up (payable to The Forum Group) to cover all statutory taxes and workers compensation insurance.

In 2011 we will limit the average number of temporary staffing during Saratoga to 900. At the outset of the 2010 Saratoga meet temporary staffing levels were approximately 1,100 and declined to 1,046 by the end of the meet. By maintaining an average temporary staffing headcount of 900 throughout the meet, and adjusting for seasonality for specific dates such as Travers weekend, we anticipate savings of approximately \$500,000.

### **Utilities**

Unit costs for natural gas, water and electrical are budgeted to increase 3.6% in 2010, primarily the result of longer hours of operation (Aqueduct and Belmont).

### **Repairs & Maintenance and Operating Supplies**

NYRA anticipates spending \$9.9 million in operating supplies and repairs and maintenance during 2011, a \$1.1 million (or 13.2 %) increase from 2010. Major line items included in these expenses are: manure and garbage removal (\$1.7 million), track materials (\$800,000), building supplies (\$1.5 million), and other general maintenance goods. The 13.2% increase is attributable to deferred maintenance on the facilities and track material purchases, in particular, which must be made this spring.

### **Rentals & Leases**

Leasing and licensing activities are budgeted at \$3.6 million in 2011, an increase of \$153,000 or 4.1% as compared to 2010. Major purchases in this line include: tote equipment rental (\$1.4 million), facility equipment leases (\$500,000) and the rental of the Port Authority parking lot at Aqueduct (\$350,000).

### **Professional Fees**

Professional fees consist primarily of legal, audit/tax, and outside consultant fees and are budgeted to decline almost \$600,000 in 2011. The larger components of this line item include; legal fees (\$2.1 million), a placeholder for Saratoga and Belmont feasibility studies (\$750,000), outside financial auditing (\$600,000) and information technology services (\$1.4 million).

### **Outside Services**

Outside service related costs are budgeted to increase 37.5%, or \$1.4 million, year-over-year. The \$1.4 million increase is attributable to the NYC Bus routes implemented after the closure of NYCOTB, however, there is the potential that this service will be curtailed significantly during the

course of the year. Other Outside services include the following categories of expenses: telephone (\$1.5 million), EMT services (\$1.2 million), transportation buses between tracks (\$670,000) and decoder service (\$600,000).

### **Insurance**

The cost for NYRA's insurance policies are budgeted at \$7 million and flat compared to 2010. Major policies include: unemployment insurance (\$2 million), workers compensation (\$2.4 million), property (\$450,000), an umbrella policy (\$435,000), auto (\$330,000), trustee/officer (\$200,000) and general liability (\$675,000).

### **Marketing & Advertising**

NYRA's marketing expenses are budgeted at \$3.8 million in 2011, a 5% increase over 2010. In the last few years NYRA has reduced its advertising budget substantially (approximately \$2 million since 2007) by utilizing a more focused approach towards our target audience. Included in this expense line are \$250,000 for the current "Bet \$100 get \$100" NYRA Rewards promotion and the purchases of promotional items (\$1.4 million) which, specifically in Saratoga, draw large crowds and materially impact track admissions revenue for those dates.

### **Other Operating Expenses**

Other notable expenses include:

- Travel & Entertainment, the majority of which relates to the Saratoga per diem is budgeted to decline 8.6% to \$2.2 million as a result of fewer full time employees traveling to Saratoga for the entire race meet.
- Bad Debt expense is budgeted at \$418,000, due mainly to interest payments that New NYRA will make on behalf of Old NYRA's \$9 million loan payable to the state of New York.

## **NON OPERATING EXPENSES**

NYRA's non-operating expenses primarily consist of employee legacy costs (pension and other post-retirement employee benefits "OPEB") and depreciation. The following schedule illustrates these expenses as compared to the 2010 Forecast:

| (in thousands)               | REVISED |        | 2010 vs. REVISED |        |
|------------------------------|---------|--------|------------------|--------|
|                              | ACTUAL  | BUDGET | CHANGE           |        |
|                              | 2010    | 2011   | \$               | %      |
| Non-Operating Expenses       |         |        |                  |        |
| Retiree Benefits             | 4,966   | 5,100  | 134              | 2.7%   |
| Pension                      | 6,553   | 5,506  | (1,047)          | -16.0% |
| Interest Expense             | 136     | 469    | 333              | 245.8% |
| Depreciation                 | 3,262   | 4,407  | 1,145            | 35.1%  |
| Loss/(Gain)-Fixed Asset Sale | (217)   | -      | 217              |        |
| Income Tax Expense           | (0)     | -      | 0                |        |
| Total Non-operating Expenses | 14,699  | 15,482 | 782              | 5.3%   |

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The \$782,000 increase in non-operating expenses is driven by an estimated 35% (or \$1.1 million) increase in depreciation expense, a \$333,000 increase in interest expense attributable to the Genting Loan offset by a \$1 million decline in the budgeted current period pension expense accrual.

The 2011 pension expense is determined by actuaries based on the assets and liabilities as of the December 31, 2010 measurement date.

Retiree Benefits expense reflects the cash cost to NYRA of providing benefits to our retired employees, net of participant contributions and Medicare subsidies. The medical benefit premium increases were much lower for this group compared to our active employees due to a much lower change in claims experienced during 2010.

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## CAPITAL INVESTMENT BUDGET

The \$11.4 million capital investment budget remains unchanged from the original submission, however, this version does include two smaller projects that will be absorbed by reductions in various smaller maintenance related capital projects. The two additional items are estimated at approximately \$210,000 and include furniture, fixtures, TV's and HVAC units for the Belmont Café' (\$160,000) and initial planning work for the expansion of the Pierre Bellocq mural at Belmont Park (\$50,000).

The schedule below illustrates the larger projects budgeted in 2011 followed by explanation for each:

| (in thousands)                          | <b>2011<br/>BUDGET</b> |
|---|------------------------|
| <b>VIDEO TOTE BOARDS</b>                | \$ 1,500               |
| <b>PRODUCTION TRAILER AND EQUIPMENT</b> | 1,490                  |
| <b>AQUEDUCT</b>                         | 210                    |
| <b>BELMONT</b>                          |                        |
| CAFO & Storm Water Management           | 2,250                  |
| Barn Area Improvements                  | 575                    |
| Other Projects & Maintenance            | 1,220                  |
| Sub-total                               | 4,045                  |
| <b>SARATOGA</b>                         |                        |
| Yaddo and Bunkhouse Improvements        | 650                    |
| Other Backside Improvements             | 135                    |
| Other Projects & Maintenance            | 1,079                  |
| Sub-total                               | 1,864                  |
| <b>FLEET EQUIPMENT</b>                  | 1,098                  |
| <b>INFORMATION TECHNOLOGY</b>           | 1,185                  |
| <b>Total Capital Expenditure</b>        | <b>\$ 11,392</b>       |

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### **Infield Tote Board**

Currently, NYRA owns an infield Tote board that displays live odds and related racing information to the on-track fans. This Tote board has been in use for over fifteen years and is past the end of its serviceable life. Replacement parts are no longer available from the manufacturer, Daktronics. There are a few areas on the board that simply do not light up. Our electricians have cleverly used the good parts on the board to represent runners one through ten. However, runners 11 through 15 will not work on the board. This does not pose a problem at Aqueduct, however, at Saratoga and Belmont this is an issue due to the larger field sizes there.

NYRA proposes to purchase a new LED video Tote board for approximately \$900,000 that is similar to, but approximately 50 feet longer than, the one rented for the 2010 Saratoga meet. Video tote boards are replacing the older style light bulb boards across the country. For example, Keeneland, Del Mar, Penn National and others have made the change to this style video board.

The video tote board allows NYRA TV to send any type of graphics or video to the board from the TV production trailers. Aside from displaying live win odds and WPS pool information, the new board will allow us to display any other type of pool information like probables and will pay along with live video feeds and sponsorship video.

NYRA also proposes to replace the video boards that flank the tote board on each side. These video boards will be in the 16x9 format and will be of much higher picture quality than what currently exists. These two other boards combine to make up \$600,000.

### **Production Trailer and Equipment**

The new production trailer will integrate with the existing production units to form a very flexible and creative production environment. There are several needs that are fulfilled by this trailer. With the incorporation of the new infield video display system, a control room with the equipment to produce the video signals is required. This equipment will route signals from graphic computers displaying Tote information and other data, live video from the production cameras, graphic and moving video for commercials and "Fan-Cam" video. The commercials and Fan-Cam may be separated from the Simulcast feed and displayed locally, providing the Marketing Department with additional sales opportunities. This capability was proven effective at Saratoga in 2010.

The primary goal of NYRA-TV is to produce and transmit the simulcast production of our live racing. The way in which the three trailers are interconnected will provide for enhanced redundancy that ensures that the simulcast production has no single point of failure, and is on the air at all times. The design provides that a total failure of the control room that is producing the show can be mitigated by moving the production crew to the other trailer and pushing a few buttons. This is standard network level redundancy and protection.

The three units will also provide an additional control room for simultaneous live productions such as the MSG+ show done every Saturday at Saratoga and Belmont. In the past, the DX-9 trailer that was acquired for redundancy and spares was used for this production. The requirements of the production have grown requiring more efficient and cleaner productions with less setup time and better use of resources and crew.

It is anticipated that in 2011 there may be additional production requirements for simultaneous shows. ESPN3 and TVG are potential clients among others as is NBC and the Belmont Stakes airing. With the flexible and powerful production capability, NYRA will be able to bill the client for production services that in the past they have contracted out to other vendors.

### **Pierre Bellocq ("Peb") Mural**

In 2011, NYRA intends to enter into a contract with Pierre Bellocq so as to initiate the planning process for the expansion of his mural in the Belmont Park Clubhouse. We are budgeting \$50,000 for this project in 2011 with an estimated total projected cost of \$250,000 over the next few years.

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## **CAFO**

The environmental projects at Belmont include the installation of 88 concrete wash pads with special separate sewer lines in each for the draining of water coming off of the horses being washed; the engineering and installation of a sump to handle the rain, snow and other runoff so it doesn't collect; and 6 new sanitary sewer meters to monitor the amount of sewer water leaving for the Town of Hempstead.

## **Barn Improvements**

At Belmont, over half a million dollars will be spent to improve the condition of our barns. This figure includes five barn roofs that will be replaced with metal roofs to reduce the amount of leakage and maintenance currently being experienced with the asbestos shingling.

## **YADDO**

One of Saratoga's largest projects includes the Yaddo; where, over multiple years, dams and retaining walls will be built between the two properties, the Yaddo ponds will be completely cleaned out, and a separate, one acre NYRA wetlands will be created to gather track runoff away from the Yaddo.

## **Dorm Electrical System**

Another big improvement to Saratoga will be the installation of a brand new electrical system for the dorms that house the backstretch employees. The new electrical system will be capable of handling all the use of the heat and air conditioning in the dorms.

## **Barn Roofs**

The other backside improvements include the replacement of two barn roofs with new metal roofs, and the installation of deep water plumbing for the Oklahoma training track because the current plumbing is inadequate and requires continual upkeep. The new water lines will be put in the ground below the frost line since training runs into November.

## **Saratoga Turf Course**

Saratoga will also have the East Ave. turf widened to create more running lanes, especially for horses in training. The horses won't be constantly battering the same lanes on the course so the turf will stay in better shape, allowing for more turf races. Also, a pump and irrigation design is the first phase of installing an automated sprinkler system to improve the current operation that calls for workers to come in at night when the grass is to be watered and physically move an aluminum pipe all the way around the turf for it to be watered.

## **Portable Turf Rail**

One other addition to Saratoga will be the purchase of its own portable turf rail. Under the current operation, a downstate rail is shipped up to Saratoga every July for use during the meet. The new rail is also safer in that if a jockey or horse were to crash into the rail, it gives way and breaks. The older material shatters, causing jagged and sharp edges. The new rail also comes in standard sections making it easier to replace if a section is broken.

## **Warning Light System**

All five of NYRA's tracks (Aqueduct, Belmont, Belmont training, Saratoga and Oklahoma) will have a warning light system installed. The warning light system is cost effective as well as a huge upgrade in safety. Gap attendants are no longer needed, nor is "track closed" signage or any other related material. If the lights are on, the track is closed. The clockers or outriders have a remote

control that, when the button is pushed, turns the flashing lights on. This is for use in the event a horse breaks down or a jockey or exercise rider falls.

### **Fleet Equipment**

A new water truck will be made from the purchase of a chassis, tank and arm instead of bought to save money while adding to the fleet. Also, tractors being leased will be bought, and since NYRA offers shipping for horses stabled at one NYRA track and racing at another, a newer, more publicly presentable horse trailer will be purchased.

## **INFORMATION TECHNOLOGY**

### **New Phone System**

The current phone system at the NYRA tracks is significantly outdated and expensive to operate. There are different sets of phones and lines for each track. To change the current system, NYRA would use SIP trunking to connect and re-route all lines through the internet thereby eliminating two-thirds of the current operation. SIP (Session Initiation Protocol) trunking removes the complicated hardware and wirings just to support the flow of calls, because the only thing needed is to use the servers of the chosen provider. The new system would bring savings of \$100,000 to \$200,000 a year.

### **NYRA.com**

NYRA's 8-year-old informational website will be redesigned. The current website is based on a very antiquated framework and requires an inordinate amount of manual work to maintain and update. NYRA's current online marketing and communications presence is centered around social media sites like Facebook and Twitter, and on our ever-expanding library of unique and cutting edge video series. Whereas almost every website designed within the past few years is able to seamlessly integrate social media and video functionality, the outdated NYRA.com website cannot integrate either social media platforms or videos. In addition, because of the antiquated content management system on the current NYRA.com, the site ends up looking cluttered and visually displeasing. In this day and age, any company's marketing and communications effort is driven by its website, and NYRA will benefit greatly in these areas with the design of a new, modernized, integrated, and fully functional NYRA.com.

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## 2011 CASH FLOW

The schedule below illustrates the cash flow and liquidity position of NYRA in 2011 with the assumptions taken into consideration:

- 1) Year-round simulcasting operations at Aqueduct and Belmont Café.
- 2) The closure of NYCOTB and a 50% increase in wagering through NYRA (combination of on-track and ADW).
- 3) \$22.3 million in VLT payments.
- 4) \$1.5 million of cost savings at Aqueduct Facility related to the Genting Casino and shared services.
- 5) A drawdown of the third tranche (\$8.3 million) of the \$25 million credit facility.

| (in thousands)            | <b>REVISED<br/>2011<br/>BUDGET</b> |
|---------------------------|------------------------------------|
| OPERATING INCOME          | \$ 3,885                           |
| CAPITAL EXPENDITURE       | (11,392)                           |
| LEGACY PAYMENTS (cash)    |                                    |
| Pension                   | (7,698)                            |
| OPEB                      | (5,100)                            |
| Sub-total Legacy Payments | (12,798)                           |
| GENTING FUNDING           | 8,300                              |
| WORKING CAPITAL           | 1,062                              |
| <b>CASH FLOW</b>          | <b><u>\$ (10,943)</u></b>          |
| Beginning Cash            | 25,139                             |
| <b>Ending Cash</b>        | <b><u>\$ 14,196</u></b>            |

### **Genting Loan**

Concerning the \$25 million loan facility, it should be noted that the Loan Agreement dated June 9, 2010 states that the third disbursement is to be made prior to March 31, 2011, as determined by the New York State Director of the Division of the Budget. As a result, we intend to request these funds at the beginning of March of this year. Additionally, at this time, management is not projecting the need to request any additional operating support payments, beyond the \$8.3 million, from Genting.

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## REVISED 2011 BUDGET CASH FLOW

(in thousands)

|                                   | JAN          | FEB            | MAR          | APR            | MAY          | JUNE           | JUL            | AUG          | SEP            | OCT          | NOV          | DEC          | TOTAL           |
|-----------------------------------|--------------|----------------|--------------|----------------|--------------|----------------|----------------|--------------|----------------|--------------|--------------|--------------|-----------------|
| <b>Operating Income</b>           | (1,946)      | (3,532)        | (3,373)      | (3,487)        | 963          | 971            | 1,489          | 11,324       | 1,413          | 1,706        | 171          | (1,815)      | 3,885           |
| Plus: accrued purses              | 5,749        | 5,823          | 6,585        | 5,979          | 8,975        | 8,833          | 9,246          | 14,628       | 9,936          | 10,403       | 9,002        | 8,405        | 103,566         |
| Less: cash purses                 | (5,197)      | (4,674)        | (5,396)      | (6,437)        | (8,592)      | (9,016)        | (12,154)       | (18,028)     | (12,168)       | (8,749)      | (7,046)      | (6,109)      | (103,566)       |
| Capital Expenditure               | (312)        | (1,007)        | (1,007)      | (1,007)        | (1,007)      | (1,007)        | (1,007)        | (1,007)      | (1,007)        | (1,007)      | (1,007)      | (1,007)      | (11,392)        |
| Pension (cash)                    | (1,002)      | -              | -            | (1,565)        | -            | -              | (1,565)        | -            | (2,001)        | -            | (1,565)      | -            | (7,698)         |
| OPEB (cash)                       | (421)        | (501)          | (501)        | (501)          | (501)        | (501)          | (501)          | (501)        | (501)          | (501)        | (501)        | (501)        | (5,100)         |
| Granting Funding                  | -            | -              | 8,300        | -              | -            | -              | -              | -            | -              | -            | -            | -            | 8,300           |
| Escheatment                       | -            | -              | -            | (1,000)        | -            | -              | -              | -            | -              | -            | -            | -            | (1,000)         |
| Working Capital <sup>(1)(2)</sup> | 5,262        | -              | -            | (1,200)        | -            | (1,000)        | -              | (1,000)      | -              | -            | -            | -            | 2,062           |
| <b>Free Cash Flow ("FCF")</b>     | <b>2,134</b> | <b>(3,890)</b> | <b>4,608</b> | <b>(9,219)</b> | <b>(162)</b> | <b>(1,720)</b> | <b>(4,492)</b> | <b>5,416</b> | <b>(4,329)</b> | <b>1,851</b> | <b>(946)</b> | <b>(195)</b> | <b>(10,943)</b> |
| Beginning Cash <sup>(3)</sup>     | 25,139       | 27,273         | 23,383       | 27,991         | 18,772       | 18,610         | 16,890         | 12,398       | 17,814         | 13,485       | 15,337       | 14,391       | 25,139          |
| Ending Cash <sup>(3)</sup>        | 27,273       | 23,383         | 27,991       | 18,772         | 18,610       | 16,890         | 12,398         | 17,814       | 13,485         | 15,337       | 14,391       | 14,196       | 14,196          |

## NOTES:

- (1) January number includes \$3.5 million reduction in Accounts Receivable related to final \$800k NYCOTB payment and several other large payments that carried from December
- (2) At this time of year NYRA receives pre-payments from customers that are primarily related to Belmont Stakes and Saratoga, hence the negative working capital adjustments in June and August. Additionally, we anticipate paying approximately \$1.2 million in accrued legal fees by April.
- (3) Includes cash in operating accounts and vault

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## INDUSTRY UPDATE

### Industry trends

The racing industry has been trending down in all three major indicators in 2010: handle, purse and race dates. In 2010, handle was down 7.2%, purses down 6% and race dates down 7.8%. Through January of this year, handle is down 9.7%, purses are up 0.8% and race dates are down 4.6%. The January numbers are no doubt impacted by the inclement weather experienced thus far in 2011.

#### **FULL YEAR COMPARISON**

| <u>Industry</u>                       | 12 Months<br><u>2010</u> | 12 Months<br><u>2009</u> | <u>% Variance</u> |
|---------------------------------------|--------------------------|--------------------------|-------------------|
| Wagering on U.S. Races                | \$11,416,570,932         | \$12,308,640,847         | -7.2%             |
| U.S. Purses                           | \$1,027,731,620          | \$1,093,756,030          | -6.0%             |
| U.S. Race Days                        | 5,473                    | 5,934                    | -7.8%             |
| <u>NYRA</u>                           |                          |                          |                   |
| Wagering on NYRA Races                | \$2,109,595,203          | \$2,218,427,515          | -4.9%             |
| NYRA Purses                           | \$98,966,195             | \$109,239,496            | -9.4%             |
| NYRA Race Days                        | 241                      | 251                      | -4.0%             |
| <u>NYRA as Percentage of Industry</u> |                          |                          |                   |
| Wagering on U.S. Races                | 18.5%                    | 18.0%                    |                   |
| U.S. Purses                           | 9.6%                     | 10.0%                    |                   |
| U.S. Race Days                        | 4.4%                     | 4.2%                     |                   |

#### **JANUARY COMPARISON**

| <u>Industry</u>                       | 1 Month<br><u>January, 2011</u> | 1 Month<br><u>January, 2010</u> | <u>% Variance</u> |
|---------------------------------------|---------------------------------|---------------------------------|-------------------|
| Wagering on U.S. Races                | \$827,947,674                   | \$917,014,242                   | -9.7%             |
| U.S. Purses                           | \$64,068,657                    | \$63,574,044                    | 0.8%              |
| U.S. Race Days                        | 330                             | 346                             | -4.6%             |
| <u>NYRA</u>                           |                                 |                                 |                   |
| Wagering on NYRA Races                | \$110,206,295                   | \$135,380,082                   | -18.6%            |
| U.S. Purses                           | \$5,196,170                     | \$5,285,910                     | -1.7%             |
| U.S. Race Days                        | 19                              | 19                              | 0.0%              |
| <u>NYRA as Percentage of Industry</u> |                                 |                                 |                   |
| Wagering on NYRA Races                | 13.3%                           | 14.8%                           |                   |
| U.S. Purses                           | 8.1%                            | 8.3%                            |                   |
| U.S. Race Days                        | 5.8%                            | 5.5%                            |                   |

### NYRA trends

In 2010, NYRA outperformed the industry. During the month of January, NYRA handle as a percentage of the industry, declined by 1.5% to 13.3%, a direct result of the closure of NYCOTB which accounted for almost \$1 million of handle per day on NYRA races. On a positive note, NYRA is receiving a much higher percentage of handle on the wagering activity that has migrated to our on-track and ADW business from former NYCOTB customers.

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NYRA  
Balance Sheet  
For the years ended 12/31/10 and 12/31/09

|  | 12/31/2010        | 12/31/2009        |
|--|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| <b>CURRENT ASSETS</b>                                      |                   |                   |
| Cash - vault   | \$2,795,639       | \$2,295,745       |
| Cash and cash equivalents                                  | 22,343,241        | 8,512,689         |
| Investments  | 0                 | 5,003,008         |
| Restricted cash:   |                   |                   |
| Restricted cash - Horsemen                                 | 11,188,759        | 12,340,926        |
| Restricted cash - Acct Wagering (NYRA One)                 | 2,049,303         | 1,836,067         |
| Restricted cash - NY Stallion                              | 1,168,744         | 1,325,469         |
| Restricted - Other   | 1,795,660         | 1,716,748         |
| Accounts receivable  | 20,138,589        | 31,929,679        |
| Less reserve for bad debts                                 | (776,682)         | (2,414,781)       |
| Prepaid and Other Assets                                   | 2,110,575         | 4,584,469         |
| Total current assets                                       | 62,813,828        | 67,130,019        |
| <b>FIXED ASSETS</b>  |                   |                   |
| Leasehold & Building Structure Improvements                | 10,189,611        | 6,742,449         |
| Furniture, Fixtures, & Equipment                           | 8,445,593         | 7,869,443         |
| Vehicles   | 2,608,210         | 1,515,703         |
| Software   | 217,898           | 54,415            |
| Construction-in-progress                                   | 808,889           | 2,139,956         |
|  | 22,270,201        | 18,321,966        |
| Less accumulated depreciation                              | (6,525,946)       | (3,263,447)       |
| Total fixed assets - net                                   | 15,744,255        | 15,058,519        |
| <b>OTHER ASSETS</b>  | 859,442           | 1,811,446         |
| <b>TOTAL ASSETS</b>  | <b>79,417,525</b> | <b>83,999,984</b> |
| <b>LIABILITIES AND EQUITY</b>                              |                   |                   |
| <b>CURRENT LIABILITIES</b>                                 |                   |                   |
| Horsemen's liability                                       | 11,188,759        | 12,340,925        |
| NYRA Rewards liability                                     | 2,049,303         | 1,836,068         |
| Stallion Series deferred income                            | 1,168,744         | 1,325,469         |
| Stakes and purses  | 5,359,031         | 12,991,797        |
| Accounts payable   | 2,889,833         | 6,308,453         |
| Accrued expenses   | 8,697,120         | 4,871,107         |
| Accrued pension costs, current portion                     | 4,629,560         | 1,532,834         |
| Accrued postretirement obligations, current portion        | 5,048,112         | 3,630,685         |
| Lease obligations, current portion                         | 204,430           | 213,630           |
| Outstanding pari-mutuel tickets                            | 1,269,602         | 1,315,355         |
| Outstanding CashCard balance and vouchers                  | 743,078           | 875,318           |
| Statutory payables   | 321,285           | 190,802           |
| Deferred income  | 250,352           | 302,466           |
| Total current liabilities                                  | 43,817,209        | 47,734,909        |
| <b>LONG TERM LIABILITIES</b>                               |                   |                   |
| Accrued pension costs, net of current portion              | 46,844,279        | 43,596,582        |
| Accrued postretirement obligations, net of current portion | 99,376,641        | 63,042,526        |
| ESDC loan payable  | 16,700,000        | 0                 |
| Accrued interest   | 95,661            | 0                 |
| Lease obligations, net of current portion                  | 443,923           | 274,097           |
| Other  | 614,135           | 900,880           |
| Total long term liabilities                                | 164,174,639       | 107,814,085       |
| <b>EQUITY</b>  |                   |                   |
| Retained earnings  | 4,486,217         | 13,400,788        |
| Accumulated other comprehensive loss                       | (117,193,333)     | (76,035,224)      |
| Current profit/(loss)                                      | (15,867,207)      | (8,914,574)       |
| Total equity   | (128,574,323)     | (71,549,010)      |
| <b>TOTAL LIABILITIES AND EQUITY</b>                        | <b>79,417,525</b> | <b>83,999,984</b> |

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NYRA  
P&L  
For the years ending December 31, 2010 and 2009

|                                    | 12/31/2010<br>ACTUAL | BUDGET              | VARIANCE           | VAR %         | 12/31/2009<br>ACTUAL | PR YR VAR           | PR YR VAR %    |
|------------------------------------|----------------------|---------------------|--------------------|---------------|----------------------|---------------------|----------------|
| <b>REVENUE</b>                     |                      |                     |                    |               |                      |                     |                |
| On-Track take out                  | \$72,638,233         | \$67,525,836        | \$5,113,397        | 7.6%          | \$71,488,728         | \$1,150,505         | 1.6%           |
| On-Track breakage                  | 1,419,242            | 1,344,865           | 74,377             | 5.5%          | 1,447,811            | (28,369)            | -2.0%          |
| New York OTB                       | 88,468,513           | 72,732,960          | (4,263,447)        | -5.9%         | 77,575,999           | (9,108,486)         | -11.7%         |
| Intrastate simulcasting            | 3,370,142            | 3,293,540           | 76,596             | 2.3%          | 3,511,746            | (141,604)           | -4.0%          |
| Interstate simulcasting            | 76,984,177           | 70,038,439          | 6,945,738          | 9.9%          | 76,590,520           | 393,657             | 0.5%           |
| International simulcasting         | 1,663,532            | 1,754,892           | (91,360)           | -5.2%         | 1,743,904            | (80,372)            | -4.6%          |
| On track racing related revenue    | 15,751,108           | 14,335,818          | 1,415,290          | 9.9%          | 13,701,390           | 2,049,718           | 15.0%          |
| Other revenue                      | 21,986,901           | 21,095,855          | 900,046            | 4.3%          | 22,261,475           | (265,574)           | -1.2%          |
| <b>GROSS REVENUE</b>               | <b>262,292,846</b>   | <b>252,122,211</b>  | <b>10,170,637</b>  | <b>4.0%</b>   | <b>268,321,373</b>   | <b>(6,028,525)</b>  | <b>-2.2%</b>   |
| <b>COST OF SALES</b>               |                      |                     |                    |               |                      |                     |                |
| COS - News Stand                   | 885,504              | 0                   | 885,504            | 0.0%          | 0                    | 885,504             | 0.0%           |
| NYRA Rewards Rebate                | 2,975,611            | 1,483,173           | 1,492,438          | 100.8%        | 1,839,248            | 1,136,363           | 61.8%          |
| COS-Programs                       | 1,189,843            | 1,034,328           | 155,515            | 15.0%         | 1,291,573            | (101,730)           | -7.8%          |
| COS - Food & Beverage              | 2,920,000            | 2,374,000           | 546,000            | 23.0%         | 2,462,615            | 457,385             | 18.6%          |
| COS-Gift Shop Items                | 473,071              | 380,900             | 92,171             | 24.2%         | 352,971              | 120,100             | 34.0%          |
| <b>TOTAL COST OF SALES</b>         | <b>8,444,029</b>     | <b>5,272,401</b>    | <b>3,171,628</b>   | <b>60.2%</b>  | <b>5,946,407</b>     | <b>2,497,622</b>    | <b>42.0%</b>   |
| <b>STATUTORY PAYMENTS</b>          |                      |                     |                    |               |                      |                     |                |
| Stakes & Purses                    | 92,027,498           | 99,949,822          | (7,922,326)        | -7.9%         | 108,717,930          | (16,690,434)        | -15.4%         |
| Pari Mutuel Tax                    | 5,594,524            | 5,278,435           | 316,089            | 6.0%          | 5,537,010            | 57,514              | 1.0%           |
| Breeding Fund                      | 2,752,567            | 2,556,928           | 195,639            | 7.7%          | 2,707,233            | 45,334              | 1.7%           |
| NYS R&W Board                      | 1,968,117            | 1,826,377           | 191,740            | 7.7%          | 1,933,738            | 32,379              | 1.7%           |
| <b>TOTAL STATUTORY PAYMENTS</b>    | <b>102,340,704</b>   | <b>109,611,562</b>  | <b>(7,270,858)</b> | <b>-6.6%</b>  | <b>118,895,911</b>   | <b>(16,555,207)</b> | <b>-13.9%</b>  |
| <b>NET REVENUE</b>                 | <b>151,508,115</b>   | <b>137,238,248</b>  | <b>14,269,867</b>  | <b>10.4%</b>  | <b>143,479,055</b>   | <b>8,029,060</b>    | <b>5.6%</b>    |
| <b>EXPENSES</b>                    |                      |                     |                    |               |                      |                     |                |
| Salaries & Wages                   | 56,299,360           | 61,308,427          | (5,007,067)        | -8.2%         | 60,428,537           | (4,127,177)         | -6.8%          |
| Payroll Taxes                      | 4,454,801            | 6,474,000           | (2,019,199)        | -31.2%        | 6,145,862            | (1,690,861)         | -27.5%         |
| Benefits                           | 2,209,890            | 1,404,400           | 805,490            | 57.4%         | 5,434,810            | (3,224,920)         | -59.3%         |
| Union Fringe Benefits              | 11,867,331           | 14,418,688          | (2,551,357)        | -17.7%        | 9,643,145            | 2,224,186           | 23.1%          |
| 401K                               | 947,202              | 1,012,246           | (65,044)           | -6.4%         | 1,074,988            | (127,664)           | -11.9%         |
| Travel & Entertainment             | 2,392,668            | 2,307,642           | 85,016             | 3.7%          | 2,159,306            | 233,352             | 10.8%          |
| Employee Related Expenses          | 12,458               | 0                   | 12,458             | 0.0%          | 29,162               | (16,704)            | -57.3%         |
| Operating Supplies                 | 2,047,016            | 1,882,841           | 164,175            | 8.7%          | 1,936,929            | 110,087             | 5.7%           |
| Utilities                          | 7,255,991            | 8,304,600           | (1,048,609)        | -12.6%        | 8,576,620            | (1,320,629)         | -15.4%         |
| Dues & Subscriptions               | 734,371              | 673,400             | 60,971             | 9.1%          | 739,348              | (4,977)             | -0.7%          |
| Printing Expense                   | 137,651              | 59,900              | 77,751             | 129.8%        | 59,591               | 78,060              | 131.0%         |
| Training & Seminars                | 10,088               | 45,000              | (35,912)           | -78.1%        | 13,197               | (3,109)             | -23.6%         |
| Temporary Help                     | 4,144,749            | 3,869,134           | 275,615            | 7.1%          | 3,279,473            | 865,276             | 26.4%          |
| Outside Services                   | 3,812,661            | 3,858,961           | (46,300)           | -1.2%         | 3,284,638            | 528,023             | 16.1%          |
| Cable Contract                     | 278,224              | 0                   | 278,224            | 0.0%          | 0                    | 278,224             | 0.0%           |
| Telephone & Communications         | 1,686,642            | 1,461,251           | 225,391            | 15.4%         | 1,602,900            | 83,742              | 5.2%           |
| Postage & Mailing                  | 123,373              | 217,103             | (93,730)           | -43.2%        | 140,185              | (16,812)            | -12.0%         |
| Professional Fees:                 |                      |                     |                    |               |                      |                     |                |
| Legal                              | 3,198,836            | 1,920,000           | 1,278,836          | 66.6%         | 2,197,480            | 1,001,356           | 45.6%          |
| Audit/Tax                          | 732,453              | 798,000             | (65,547)           | -8.2%         | 476,537              | 255,916             | 53.7%          |
| Other Consulting                   | 2,172,886            | 1,661,320           | 511,566            | 30.8%         | 1,771,097            | 401,789             | 22.7%          |
| Information Technology             | 1,269,320            | 1,536,000           | (266,680)          | -17.4%        | 1,317,602            | (48,282)            | -3.7%          |
| Rentals & Leases                   | 3,428,092            | 3,408,371           | 19,721             | 0.6%          | 3,512,297            | (84,205)            | -2.4%          |
| Computer Equipment                 | 70,233               | 198,000             | (127,767)          | -64.5%        | 177,878              | (107,645)           | -60.5%         |
| Computer Software                  | 18,883               | 301,800             | (281,907)          | -93.4%        | 4,871                | 15,022              | 308.4%         |
| Repairs & Maintenance              | 6,749,190            | 7,034,128           | (284,938)          | -4.1%         | 9,592,555            | (2,843,366)         | -29.6%         |
| Insurance                          | 7,163,746            | 5,070,940           | 2,092,806          | 41.3%         | 3,892,510            | 3,271,238           | 84.0%          |
| Licenses                           | 359,738              | 138,000             | 221,738            | 160.7%        | 363,829              | (24,091)            | -6.3%          |
| Outrider Expenses                  | 366,516              | 424,000             | (57,484)           | -13.6%        | 353,988              | 2,528               | 0.7%           |
| Meeting Expenses                   | 8,515                | 12,800              | (4,285)            | -33.5%        | 17,880               | (9,365)             | -52.4%         |
| Marketing & Advertising            | 3,587,617            | 3,901,315           | (313,698)          | -8.0%         | 3,997,358            | (409,741)           | -10.3%         |
| Horsemen Functions                 | 29,043               | 24,500              | 4,543              | 18.5%         | 22,050               | 6,993               | 31.7%          |
| Charitable Contributions           | 1,404,944            | 362,550             | 1,042,394          | 287.5%        | 466,462              | 918,482             | 196.8%         |
| Recruiting Expense                 | 35,047               | 144,050             | (109,003)          | -75.7%        | 221,177              | (186,130)           | -84.2%         |
| Bad Debt Expense                   | 21,806,465           | 2,000,000           | 19,806,465         | 990.3%        | 4,582,517            | 17,223,948          | 375.9%         |
| Bank Charges                       | 289,272              | 0                   | 289,272            | 0.0%          | 182,341              | 106,931             | 58.6%          |
| Real Estate & Other Taxes          | 1,208,395            | 50,000              | 1,158,395          | 2316.8%       | 51,001               | 1,157,384           | 2269.3%        |
| Other Expenses                     | 371,227              | 1,249,759           | (878,532)          | -70.3%        | 1,396,733            | (1,025,506)         | -73.4%         |
| <b>TOTAL OPERATING EXPENSES</b>    | <b>152,875,866</b>   | <b>138,132,126</b>  | <b>14,543,760</b>  | <b>10.5%</b>  | <b>139,194,532</b>   | <b>13,491,354</b>   | <b>9.7%</b>    |
| <b>OPERATING INCOME</b>            | <b>(1,167,771)</b>   | <b>(893,878)</b>    | <b>(273,863)</b>   | <b>30.6%</b>  | <b>4,294,523</b>     | <b>(5,462,294)</b>  | <b>-127.2%</b> |
| <b>NON-OPERATING EXPENSES</b>      |                      |                     |                    |               |                      |                     |                |
| Retiree Benefits                   | 4,985,748            | 6,714,000           | (1,748,252)        | -26.0%        | 3,390,229            | 1,575,519           | 46.5%          |
| Pension                            | 6,563,499            | 7,000,000           | (446,501)          | -6.4%         | 7,194,341            | (640,842)           | -8.9%          |
| Interest Expense                   | 135,568              | 60,000              | 75,568             | 125.9%        | 52,489               | 83,079              | 156.3%         |
| Depreciation                       | 3,262,498            | 4,500,000           | (1,237,502)        | -27.5%        | 2,576,338            | 686,160             | 26.6%          |
| Loss/(Gain)-Fixed Asset Sale       | (217,478)            | 0                   | (217,478)          | 0.0%          | (4,300)              | (213,178)           | 4957.6%        |
| Income Tax Expense                 | (399)                | 0                   | (399)              | 0.0%          | 0                    | (399)               | 0.0%           |
| <b>TOTAL NON-OPERATING EXPENSE</b> | <b>14,889,436</b>    | <b>18,274,000</b>   | <b>(3,574,564)</b> | <b>-19.6%</b> | <b>13,209,097</b>    | <b>1,490,339</b>    | <b>11.3%</b>   |
| <b>NET INCOME/(LOSS)</b>           | <b>(15,867,207)</b>  | <b>(19,167,878)</b> | <b>3,300,671</b>   | <b>-17.2%</b> | <b>(8,914,574)</b>   | <b>(6,952,633)</b>  | <b>78.0%</b>   |

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**Management Discussion & Analysis**  
**Fiscal Year Ended December 31, 2010**  
**(Unaudited)**

**Recent Developments**

- For the twelve months ended December 31, 2010, NYRA performed better than expected. This was highlighted by successful Saratoga summer and Belmont fall meets with positive trends continuing through the Aqueduct fall meeting. Gross pari-mutuel revenue exceeded budget by 3.7% on stronger than expected export (out-of-state) and on-track revenue. Through twelve months, NYRA generated \$2.2 billion in total handle, which exceeded projections by 3.0%.
- The Aqueduct fall meeting ended on Friday, December 31, 2010 with better than expected results. Total handle of \$252.6 million exceeded budget by 9.7% and daily average handle exceeded budget by 12.8%. Compared to 2009, total handle decreased 5.6% on 3 fewer live racing days. Average starters per race were 8.07 compared to 8.20 in 2009. Daily average attendance increased 28.4% from 2009 from 2,665 to 3,421. Every dollar invested in purses at NYRA during the meet yielded \$19.49 in handle compared to \$18.89 in 2009. *See more Aqueduct fall meet statistical highlights at the end of the report.*
- During the month of December, NYRA outpaced the industry. Wagering on U.S races declined 9.3% compared to a 19.2% increase at NYRA. NYRA contributed 5.4% of total industry race days, offered 8.7% of purses and generated 15.6% of thoroughbred handle across the United States. Every dollar invested in purses at NYRA during the month yielded \$21.61 in handle compared to \$12.01 industry-wide. For the full year, wagering on U.S races declined 7.3% compared to a 4.9% decline at NYRA. NYRA contributed 4.4% of total industry race days, offered 9.6% of purses and generated 18.5% of thoroughbred handle across the United States. Every dollar invested in purses at NYRA for the year yielded \$21.32 in handle compared to \$11.11 industry-wide.
- On Wednesday December 8, 2010, after a failed effort by the NYS Senate to pass legislation backing a plan to reorganize NYC OTB from Chapter 9, the 40-year old betting giant closed all parlors, terminated its employees and union contracts and ceased all wagering operations. As a result, NYRA incurred a \$19.5 million year-end bad debt write-down. Also, in December NYC OTB paid NYRA \$7.7 million of commissions previously held in escrow as instructed by the NYS Racing and Wagering Board. The remaining \$877,000 was paid in January 2011.
- NYRA took quick action in order to deal with the impact of the NYC OTB shutdown and the loss of its largest revenue stream. NYRA immediately began offering free bus service from select borough locations to/from Aqueduct. Through January 31, 2011 almost 6,000 patrons or approximately 172 per day utilized the bus service. NYRA requested and the NYSRWB approved instant on-line sign-up for new Rewards accounts and live video streaming of NYRA races which began December 29, 2010.

Since the NYC OTB closure through January 31, 2011, 4,870 new NYRA Rewards accounts have been opened. On December 12, 2010, NYRA opened the Belmont Café, a 20,000 square foot section on the first floor of Belmont Park with approximately 98 self-service machines and 8 tellers. During the month of January 2011, Belmont Café generated \$2.8 million of handle which represented a significant 11% of NYRA's total on-track handle for the month. Lastly, NYRA entered into an agreement on January 12<sup>th</sup> 2011 to accommodate NYC OTB patrons to cash their outstanding tickets and vouchers at Aqueduct racetrack.

- On December 21st, NYRA signed a cable agreement with the City of New York for distribution of NYRA live races and programming on Channel 71, formerly used by NYC OTB. NYRA quickly installed a direct fiber line to the Bronx headend and began broadcasting on January 12, 2011.
- NYRA received the second borrowing installment of \$8.3 million from Genting LLC on December 30, 2010.
- Genting has substantially finalized design plans for the Aqueduct casino and now targets a late-August 2011 opening. Genting requested an additional 100,000 square feet on the ground floor, and NYRA and Genting have negotiated an amendment to the Sub Lease Agreement to accommodate Genting.

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## NYRA Handle and Other Relevant Statistics Fiscal Year Ended December 31, 2010 Compared to 2009 and Budget

The New York Racing Association  
STATISTICAL HIGHLIGHTS  
Twelve Months Ended December 31, 2010 Compared to 2009 and Budget

|                                      | For the Twelve Months<br>Ending December 31, 2010 |               | Change       |        | BUDGET        | Change      |        |
|--------------------------------------|---|---------------|--------------|--------|---------------|-------------|--------|
|                                      | 2010  | 2009          | \$           | %      |               | \$          | %      |
| RACING DAYS                          | 242   | 250           | -8.0         | -3.2%  | 254           | -12.0       | -4.7%  |
| ATTENDANCE - Belatoga Excluded       | 1,642,648   | 1,662,154     | -19,506      | -1.2%  | 1,609,888     | 32,760      | 2.0%   |
| DAILY AVERAGE ATTENDANCE             | 6,788   | 6,649         | 139          | 2.1%   | 6,338         | 450         | 7.1%   |
| PER-CAPITA BET (TOTAL NYRA ON-TRACK) | \$207   | \$204         | 3            | 1.5%   | \$195         | 12          | 6.1%   |
| <b>ON-TRACK HANDLE COMPONENTS</b>    |   |               |              |        |               |             |        |
| ACCOUNT: PHONE                       | 23,823,142  | 23,599,007    | 224,135      | 0.9%   | 23,417,933    | 405,208     | 1.7%   |
| INTERNET                             | 28,958,234  | 23,776,711    | 5,181,523    | 21.8%  | 25,839,865    | 3,118,370   | 12.1%  |
| ON-TRACK ACCOUNTS                    | 60,675,634  | 48,571,934    | 15,103,700   | 33.1%  | 45,841,539    | 14,834,095  | 32.4%  |
| ON-TRACK HANDLE                      | 279,766,343                                       | 293,799,875   | -14,033,532  | -4.8%  | 268,659,151   | 11,107,192  | 4.1%   |
| TOTAL NYRA ON-TRACK HANDLE           | 393,223,353                                       | 386,747,527   | 6,475,826    | 1.7%   | 363,758,489   | 29,464,865  | 8.1%   |
| DAILY AVERAGE ON-TRACK HANDLE        | 1,624,890   | 1,546,990     | 77,900       | 5.0%   | 1,432,120     | 192,770     | 13.5%  |
| <b>OFF-TRACK HANDLE</b>              |   |               |              |        |               |             |        |
| NYOTB DOWNSIDE                       | 353,280,848                                       | 406,541,434   | -53,260,585  | -13.1% | 375,532,910   | -22,252,062 | -5.9%  |
| NYOTB UPSTATE                        | 81,169,591  | 87,926,261    | -6,756,671   | -7.7%  | 81,876,785    | -707,195    | -0.9%  |
| INTRASTATE                           | 39,889,551  | 41,753,264    | -1,863,713   | -4.5%  | 38,444,646    | 1,444,906   | 3.8%   |
| INTERSTATE+CANADA (EXPORTS)          | 1,357,558,498                                     | 1,406,773,094 | -49,214,596  | -3.5%  | 1,300,580,838 | 56,977,660  | 4.4%   |
| INTERNATIONAL                        | 4,532,617   | 5,727,184     | -1,194,567   | -20.9% | 5,082,635     | -550,018    | -10.8% |
| TOTAL OFF-TRACK                      | 1,836,431,105                                     | 1,948,721,237 | -112,290,131 | -5.8%  | 1,801,517,814 | 34,913,291  | 1.9%   |
| DAILY AVERAGE OFF-TRACK HANDLE       | 7,888,558   | 7,794,885     | 206,327      | 2.6%   | 7,092,590     | 495,968     | 7.0%   |
| TOTAL HANDLE                         | 2,229,654,459                                     | 2,335,468,764 | -105,814,305 | -4.5%  | 2,165,276,302 | 64,378,156  | 3.0%   |
| DAILY AVERAGE TOTAL HANDLE           | 9,213,448   | 9,341,875     | -128,427     | -1.4%  | 8,524,710     | 688,738     | 8.1%   |

- During the fiscal year ended December 31, 2010, total handle exceeded expectations by 3% and declined 4.5% compared to the same period last year. The number of racing days effected comparisons. There were 242 racing days in 2010 compared to 254 budgeted, 12 fewer primarily due to poor weather conditions, and 250 during the same period in 2009. Daily average total handle was 8.1% higher than budgeted and declined 1.4% compared to history.
- Cumulative on-track attendance through the twelve months was 1,642,648, 2.0% above budget and 1.2% below history. Daily average attendance exceeded budget and increased 2.1% over prior year due to the additional four racing days in Saratoga. The average on-track per-capita bet of \$207 was 6.1% above budget and 1.5% higher than last year. In 2010, 17,873 horses entered 2,267 races for an average field size of 7.88. During the same period last year, 18,675 horses entered 2,347 races, for an average field size of 7.96.
- Total account wagering, which is wagering via the NYRA Rewards program (whether by phone, internet or on-track), increased \$20.5 million or 22.1% to \$113.5 million. The increase can be attributed to enhancements to the rebate program and more recently, the closure of NYC OTB which had its own ADW platform. Account wagering represented 5% of total handle during 2010 compared to 4% in 2009.
- Total off-track handle declined \$112.3 million or 5.8% to \$1.8 billion. NYC OTB handled declined \$35.2 million or 14.5% to \$208.3 million, \$7.7 million attributable in

the month of December. Exports declined \$49.2 million or 3.5% to \$1.4 billion. The decrease in exports was a result of industry-wide handle declines offset by additional handle generated by "Elite", a simulcast partner and professional wagering outfit that began betting in the second half of the year. Elite generated \$56.5 million of handle in 2010.

### Net Revenue Fiscal Year Ended December 31, 2010 Compared to 2009 and Budget

| <b>REVENUE</b>                             |                                   |                |               |              |                |                |              |
|--|-----------------------------------|----------------|---------------|--------------|----------------|----------------|--------------|
| (in thousands)                             |                                   |                |               |              |                |                |              |
|  | Fiscal Year Ended<br>December 31, |                | Change        |              | 2009           | Change         |              |
|  | 2010                              | Budget         | \$            | %            |                | \$             | %            |
| New York OTB                               | 68,470                            | 72,733         | (4,263)       | -5.9%        | 77,576         | (9,106)        | -11.7%       |
| Export revenue                             | 80,354                            | 73,332         | 7,022         | 9.6%         | 80,102         | 252            | 0.3%         |
| On-track                                   | 74,058                            | 68,871         | 5,188         | 7.5%         | 72,936         | 1,122          | 1.5%         |
| International simulcasting                 | 1,664                             | 1,755          | (91)          | -5.2%        | 1,744          | (80)           | -4.6%        |
| <b>Sub-total gross pari-mutuel revenue</b> | <b>224,546</b>                    | <b>216,691</b> | <b>7,855</b>  | <b>3.6%</b>  | <b>232,359</b> | <b>(7,813)</b> | <b>-3.4%</b> |
| less:                                      |                                   |                |               |              |                |                |              |
| Rewards Rebate                             | 2,976                             | 1,483          | 1,492         | 100.6%       | 1,839          | 1,136          | 61.8%        |
| Stakes & Purses                            | 92,027                            | 99,950         | (7,922)       | -7.9%        | 108,718        | (16,690)       | -15.4%       |
| Other statutory payments                   | 10,313                            | 9,662          | 651           | 6.7%         | 10,178         | 135            | 1.3%         |
| <b>Net wagering revenue</b>                | <b>119,229</b>                    | <b>105,596</b> | <b>13,634</b> | <b>12.9%</b> | <b>111,623</b> | <b>7,606</b>   | <b>6.8%</b>  |
| Other revenue                              | 21,996                            | 21,096         | 900           | 4.3%         | 22,261         | (266)          | -1.2%        |
| On-track racing related revenue            | 15,751                            | 14,336         | 1,415         | 9.9%         | 13,701         | 2,050          | 15.0%        |
| <b>Sub-total other revenue</b>             | <b>37,747</b>                     | <b>35,432</b>  | <b>2,315</b>  | <b>6.5%</b>  | <b>35,963</b>  | <b>1,784</b>   | <b>5.0%</b>  |
| less:                                      |                                   |                |               |              |                |                |              |
| Cost of Sales                              | 5,468                             | 3,789          | 1,679         | 44.3%        | 4,107          | 1,361          | 33.1%        |
| <b>Other revenue net</b>                   | <b>32,279</b>                     | <b>31,642</b>  | <b>636</b>    | <b>2.0%</b>  | <b>31,856</b>  | <b>423</b>     | <b>1.3%</b>  |
| <b>Net Revenue</b>                         | <b>151,508</b>                    | <b>137,238</b> | <b>14,270</b> | <b>10.4%</b> | <b>143,479</b> | <b>8,029</b>   | <b>5.6%</b>  |

- For the fiscal year ended December 31, 2010, NYRA generated \$151.5 million of net revenue, which exceeded budget by 10.4% and increased 5.6% from 2009. Results reflect stronger than expected export and on-track revenue, offset by weak results throughout the New York OTB network and the closure of NYC OTB on December 8, 2010.

- NYRA generated \$80.4 million of export revenue, which exceeded budget by 9.6%. The increase in revenue is due primarily to Elite. For the period 7/23/2010 through 12/31/2010, Elite generated \$4.0 million in revenue and represented our second largest export customer behind NYCOTB. Export revenue increased 0.4% compared to prior year, slightly ahead of industry trends. Excluding Elite's activity, export revenue declined 7.3%

- On-track wagering revenue is 7.5% higher than budget and 1.5% higher than 2009. NYRA Rewards account activity continues to show a strong year-over-year increase with phone, internet and on-track account wagering up .9%, 21.8% and 33.1% respectively. However, after giving effect to monetary rewards distributions, the increase is 5.5% to budget and flat compared to 2009.

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- Other Revenue, which consists of sponsorships, group sales events, content fees and the flea market, is generally consistent with budget and history. During 2010, NYRA earned \$7.2 million in sponsorship revenue including \$4.6 million from ESPN for broadcast rights in the final year of the contract. NYRA also earned \$3.1 million from the flea market which has been discontinued due to casino construction.
- On-Track Racing Related Revenue includes sales from admissions, box and reserved seats, food concessions, parking, the NYRA gift shop, newspapers and programs. The cost of sales includes the cost of newspapers, programs and store merchandise. Comparisons are impacted by the reclassification in 2010 of newsstand cost of sales to the cost of sales line rather than netting the amounts against revenue. In 2010, NYRA generated approximately \$3.6 million in admission revenue, \$2.8 million in concession revenue and \$4.8 million for reserved and box seating.
- NYRA accrued \$92.0 million of purse expense which is substantially below budget and history due mainly to the closure of NYC OTB. Accrued purses give effect to an \$11.2 million write-down to the purse liability commensurate with the \$19.5 million write-off of receivables due from NYC OTB. Also, the lower purse expense gives effect to a \$770,000 write-off taken during October 2010 associated with the Nassau OTB receivable.

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## Operating Expenses

### Fiscal Year Ended December 31, 2010 Compared to 2009 and Budget

The following table is a summary of operating expenses for the fiscal year ended December 31, 2010 compared to budget and history. Comparisons are impacted by the reclassification of two items from payroll taxes and benefits expense to insurance and charitable contributions.

| (in thousands)                    | Fiscal Year Ended |                |                |              |                |                |              |
|-----------------------------------|-------------------|----------------|----------------|--------------|----------------|----------------|--------------|
|                                   | December 31,      |                | Change         |              | 2009           | Change         |              |
|                                   | 2010              | Budget         | \$             | %            |                | \$             | %            |
| Salaries & Wages                  | 56,299            | 61,306         | (5,007)        | -8.2%        | 60,427         | (4,127)        | -6.8%        |
| Payroll Taxes                     | 4,455             | 6,474          | (2,019)        | -31.2%       | 6,146          | (1,691)        | -27.5%       |
| Benefits                          | 3,157             | 2,416          | 741            | 30.7%        | 6,510          | (3,353)        | -51.5%       |
| Union Fringe Benefits             | 11,867            | 14,419         | (2,551)        | -17.7%       | 9,643          | 2,224          | 23.1%        |
| Travel & Entertainment            | 2,393             | 2,308          | 85             | 3.7%         | 2,159          | 233            | 10.8%        |
| Operating Supplies                | 2,047             | 1,883          | 164            | 8.7%         | 1,937          | 110            | 5.7%         |
| Utilities                         | 7,256             | 8,305          | (1,049)        | -12.6%       | 8,577          | (1,321)        | -15.4%       |
| Dues & Subscriptions              | 734               | 673            | 61             | 9.1%         | 739            | (5)            | -0.7%        |
| Temporary Help                    | 4,145             | 3,869          | 276            | 7.1%         | 3,279          | 865            | 26.4%        |
| Outside Services                  | 3,813             | 3,859          | (46)           | -1.2%        | 3,285          | 528            | 16.1%        |
| Telephone & Communications        | 1,687             | 1,461          | 225            | 15.4%        | 1,603          | 84             | 5.2%         |
| Professional Fees:                |                   |                |                |              |                |                |              |
| Legal                             | 3,199             | 1,920          | 1,279          | 66.6%        | 2,197          | 1,001          | 45.6%        |
| Audit/Tax                         | 732               | 798            | (66)           | -8.2%        | 477            | 256            | 53.7%        |
| Other Consulting                  | 2,173             | 1,661          | 512            | 30.8%        | 1,771          | 402            | 22.7%        |
| Rentals & Leases                  | 3,428             | 3,408          | 20             | 0.6%         | 3,513          | (85)           | -2.4%        |
| Repairs & Maintenance             | 6,749             | 7,634          | (885)          | -11.6%       | 9,593          | (2,843)        | -29.6%       |
| Insurance                         | 7,164             | 5,071          | 2,093          | 41.3%        | 3,893          | 3,271          | 84.0%        |
| Marketing & Advertising           | 3,588             | 3,901          | (314)          | -8.0%        | 3,997          | (410)          | -10.3%       |
| Charitable Contributions          | 1,405             | 363            | 1,042          | 287.5%       | 486            | 918            | 188.8%       |
| Bad Debt Expense                  | 21,806            | 2,000          | 19,806         | 990.3%       | 4,583          | 17,224         | 375.9%       |
| Real Estate & Other Taxes         | 1,208             | 50             | 1,158          | 2316.8%      | 51             | 1,157          | 2269.3%      |
| Other Expenses                    | 3,371             | 4,352          | (981)          | -22.5%       | 4,320          | (949)          | -22.0%       |
| <b>Total Operating Expenses</b>   | <b>152,676</b>    | <b>138,131</b> | <b>14,544</b>  | <b>10.5%</b> | <b>139,185</b> | <b>13,491</b>  | <b>9.7%</b>  |
| Less, Bad Debt Expense            | 21,806            | 2,000          |                |              | 4,583          |                |              |
| <b>Adjusted Operating Expense</b> | <b>130,869</b>    | <b>136,131</b> | <b>(5,262)</b> | <b>-3.9%</b> | <b>134,602</b> | <b>(3,733)</b> | <b>-2.8%</b> |

### Operating Expenses Compared to Budget

Total operating expenses of \$152.7 million were \$14.5 million or 10.5% higher than budget due primarily to a \$19.5 million write-down in bad debt expense as a result of the closure of NYC OTB. Excluding bad debt expense, operating expenses were \$5.3 million below budget

- Salaries and wages are \$5.0 million below budget as a result of \$3.4 million in facility personnel savings, \$379,000 in security personnel savings and \$879,000 in administrative savings tied to a 5% staff reduction implemented in March 2010.
- Payroll taxes decreased \$2.0 million and as described above, reflect a reclassification of unemployment insurance expenses to the insurance category.

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- Professional fees exceeded budget by \$1.7 million due largely to unbudgeted Turnberry consulting fees as well as legal fees associated with the NYC OTB bankruptcy.
- Bad debt expense primarily reflects the write-off of the NYC OTB receivable balance at 12/31/10. At December 8, 2010, the outstanding account receivable balance was \$28.1 million. NYRA received \$8.6 million from NYC OTB leaving an account receivable balance of \$19.5 million which was written off in its entirety as of December 31, 2010. It should also be noted that \$10.4 million of purse expense associated with the NYC OTB receivable was also written-down. Old NYRA expenses paid by New NYRA in the amount of \$1.4 million were also written off to bad debt expense in 2010.

### Operating Expenses Compared to History

Total operating expenses of \$152.9 million were \$13.7 million or 9.8% higher than history due to the NYC OTB write down. Excluding the write down, operating expenses were \$3.4 million or 2.6% lower than history. Salaries and wages declined consistent with the administrative staff reduction implemented in March 2010 while repairs and maintenance expenses are substantially below history due to lower plumbing maintenance at Aqueduct and Belmont.

### Non-Operating Expenses

(in thousands)

| (in thousands)                      | Fiscal Year Ended |               |                |               |               |              |              |
|-------------------------------------|-------------------|---------------|----------------|---------------|---------------|--------------|--------------|
|                                     | December 31,      |               | Change         |               |               | Change       |              |
|                                     | 2010              | Budget        | \$             | %             | 2009          | \$           | %            |
| Retiree Benefits                    | 4,966             | 6,714         | (1,748)        | -26.0%        | 3,390         | 1,576        | 46.5%        |
| Pension                             | 6,553             | 7,000         | (447)          | -6.4%         | 7,194         | (641)        | -8.9%        |
| Interest Expense                    | 136               | 60            | 76             | 125.9%        | 52            | 83           | 158.3%       |
| Depreciation                        | 3,262             | 4,500         | (1,238)        | -27.5%        | 2,576         | 686          | 26.6%        |
| Loss/(Gain)-Fixed Asset Sale        | (217)             | -             | (217)          | 0.0%          | (4)           | (213)        | 4957.6%      |
| Income Tax Expense                  | (0)               | -             | (0)            | 0.0%          | -             | (0)          | -            |
| <b>Total Non-Operating Expenses</b> | <b>14,699</b>     | <b>18,274</b> | <b>(3,575)</b> | <b>-19.6%</b> | <b>13,209</b> | <b>1,490</b> | <b>11.3%</b> |

Non-operating expenses are \$3.6 million or 19.6% lower than budget, but increased marginally compared to 2009. Retiree benefits and pension expense are determined based on actuarial valuations prepared after the NYRA budget process is completed. Pension expense is below history due mainly to higher expected returns on plan assets. Depreciation expense is below budget due to lower than budgeted capital expenditures.

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## Selected Balance Sheet Items

### Accounts Receivable

- As of December 31, 2010 trade accounts receivable was \$18.6 million, down \$11.3 million from the beginning of the year and due primarily to the write-down of the NYC OTB receivable balance.
- At December 31, 2010, other accounts receivable was \$1.5 million. This is a \$442,000 decrease from December 31, 2009 and attributable to seasonality and increased collection efforts. Included in other accounts receivable are items such as reserved seats, boxed seats, sponsorships, group sales events, and property rentals.

### Purse Liability

As of December 31, 2010, the accrued but unpaid purse liability was \$5.4 million, adjusted to give effect to \$11.2 million in purses associated with write-downs of accrued but uncollected revenue, mainly from the write-down of New York City and, to a lesser extent, Nassau OTB.

The year-end purse liability is in compliance with NYRA's agreement with NYTHA which requires the purse liability to be no greater than \$18.0 million on December 31, 2010.

(in thousands)

|  |                       |
|--|-----------------------|
| Accrued but unpaid purses at 12/31/2009                      | <u>\$12,992</u>       |
| Accrued purses January - December 2010                       | 103,308               |
| Purse cash payments January - December 2010                  | (99,663)              |
| <b>Write Downs of Accrued purses January - December 2010</b> |                       |
| NYC OTB  | 10,368                |
| Nassau OTB   | 385                   |
| Magna  | 432                   |
| Dairyland Greyhound  | 7.3                   |
| Rosecroft Raceway  | 8.0                   |
| Yonkers Raceway  | 2.0                   |
| Monticello   | 0.3                   |
| Vernon   | 0.7                   |
| Total  | <u>(11,204)</u>       |
| <b>Accrued but unpaid purses at 12/31/2010</b>               | <u><u>\$5,433</u></u> |

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**\$25 Million ESDC/Genting LLC Loan Facility**

On December 30, 2010 NYRA received the second installment of \$8.3 million from Genting LLC bringing the total outstanding balance at year-end to \$16.7 million with accrued interest of \$95,661. Principal and interest repayment are required to commence six months from the date VLT operations at Aqueduct begin. Each payment shall be equal to 25% of the NYRA portion of video lottery revenues. Interest on the loan accrues at 2% per annum. It should be noted that the Loan Agreement dated June 9, 2010 states that the third disbursement is to be made prior to March 31, 2011, as determined by the New York State Director of the Division of the Budget.

**Accrued Pension and Post Retirement Obligations**

NYRA's largest liabilities are pension and post retirement (OPEB) obligations at \$51.6 million and \$104.4 million, respectively. The liabilities are stated in compliance with FAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" and represent the plan's benefit obligations in excess of the fair value of assets as derived from an annual actuarial valuation measured on 12/31/09. The post retirement plan is unfunded.

The pension liability increased \$6.4 million to \$51.6 million. The liability reflects a projected benefit obligation in excess of the fair value of plan assets as of the December 31, 2010 measurement date. The projected benefit obligation increased \$11.7 million to \$189.6 million due mainly to a decrease in the discount rate required to calculate the obligation. The discount rate declined from 5.8% to 5.3%. The fair value of the plan assets increased \$5.2 million to \$138.1 million.

The post retirement medical liability increased a considerable \$37.8 million to \$104.4 million. The increase is driven by a 36% increase in 2011 medical premiums. The lower discount rate used to calculate the liability contributed only \$6.0 million of the \$37.8 million increase in liability.

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## Capital Spending

| (in thousands)                   | <u>2010<br/>Actual</u> | <u>2010<br/>Budget</u> | <u>Change</u>     |
|----------------------------------|------------------------|------------------------|-------------------|
| <b>Aqueduct</b>                  |                        |                        |                   |
| IT Infrastructure                | \$ -                   | \$ 1,040               | \$ (1,040)        |
| Other projects & maintenance     | 231                    | 300                    | (69)              |
| <b>Sub-total</b>                 | 231                    | 1,340                  | (1,109)           |
|                                  |                        |                        | -                 |
| <b>Belmont</b>                   |                        |                        |                   |
| CAFO & Storm Water Management    | 109                    | 2,250                  | (2,141)           |
| Other projects & maintenance     | 407                    | 1,161                  | (754)             |
| <b>Sub-total</b>                 | 516                    | 3,411                  | (2,895)           |
|                                  |                        |                        | -                 |
| <b>Saratoga</b>                  |                        |                        |                   |
| CAFO & Storm Water Management    | 687                    | 1,800                  | (1,113)           |
| Stable Area Improvements         | 30                     | 550                    | (520)             |
| Shake Shack                      | 814                    | -                      | 814               |
| Other projects & maintenance     | 253                    | 1,095                  | (842)             |
| <b>Sub-total</b>                 | 1,784                  | 3,445                  | (1,661)           |
|                                  |                        |                        | -                 |
| <b>Fleet &amp; Equipment</b>     | 1,418                  | 2,075                  | (657)             |
|                                  |                        |                        |                   |
| <b>Total Capital Expenditure</b> | <u>\$ 3,948</u>        | <u>\$ 10,271</u>       | <u>\$ (6,323)</u> |

- During the fiscal year ended December 31, 2010, NYRA invested \$3.9 million in capital improvements, which is \$6.3 million below budget. Major projects include the completion of the Horse Haven project and the building of the Shake Shack in place of the paddock tent at Saratoga. With respect to the Horse Haven area, 20-25 new wash pads were installed to prevent waste water from entering the storm system. This involved installing new water, sewer and storm water piping. This project also affected the underground fire alarm system which was replaced as well as the asphalt roads.
- The total cost for CAFO and storm water management related projects in 2010 was \$796,000, well below the budgeted amount of \$4.1 million. NYRA management is in discussions with the DEC and DOB concerning NYRA's ability to fund these capital projects. Pursuant to the Franchise Agreement, these investments will be deferred until the time that NYRA begins to receive capital investment funding from VLT's.
- Fleet and Equipment expenses of \$1.4 million included several purchases for track and facility maintenance vehicles, primarily \$680,000 for tractors.
- The 2010 budget included a \$1.0 million capital expense for upgrades to the IT infrastructure at Aqueduct. Due to the liquidity constraints NYRA faced in 2010, IT investment, excluding general maintenance, was deferred. The 2011 Capital Budget includes several high priority IT projects including new infield tote boards, a video production truck and an IP phone system.

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## Liquidity

At December 31, 2010, NYRA had roughly \$22.3 million of cash on hand and \$2.8 million in the pari-mutuel vault to support wagering activities. NYRA continues to monitor and forecast its cash flow projections on a weekly basis in order to address its liquidity concerns and borrowing needs. NYRA is confident that its current cash position, along with the third disbursement of \$8.3 million plus additional support payments if necessary, will provide sufficient liquidity to operate in the year ahead.

## Aqueduct Fall Race Meet

The following are statistical highlights from the Aqueduct fall championship meet which saw increases in attendance and on-track handle with daily average increases compared to budget and prior year. Total attendance was up 18.2% and on-track handle was up 3.8% from prior year, both impacted by the closure of NYCOTB on December 8, 2010. NYRA's export business exceeded budget by 14.0% primarily due to wagering by Elite as well as conservative budget assumptions. Daily averages for all-sources handle, on-track handle, and attendance also posted increases over 2009 of 2.5%, 12.7% and 28.4%, respectively.

### The New York Racing Association STATISTICAL HIGHLIGHTS 2010 Aqueduct Fall Meet

|   | 2010               | 2009               | Change             |               | BUDGET             | Change            |              |
|---|--------------------|--------------------|--------------------|---------------|--------------------|-------------------|--------------|
|   |                    |                    | \$                 | %             |                    | \$                | %            |
| <b>RACING DAYS</b>                          | <b>35</b>          | <b>38</b>          | <b>-3.0</b>        | <b>-7.9%</b>  | <b>36</b>          | <b>-1.0</b>       | <b>-2.8%</b> |
| <b>ATTENDANCE -Aqueduct</b>                 | <b>119,729</b>     | <b>101,278</b>     | <b>18,451</b>      | <b>18.2%</b>  | <b>91,150</b>      | <b>28,579</b>     | <b>31.4%</b> |
| <b>DAILY AVERAGE ATTENDANCE</b>             | <b>3,421</b>       | <b>2,665</b>       | <b>756</b>         | <b>28.4%</b>  | <b>2,532</b>       | <b>889</b>        | <b>35.1%</b> |
| <b>PER-CAPITA BET (TOTAL NYRA ON-TRACK)</b> | <b>\$284</b>       | <b>\$328</b>       | <b>-44</b>         | <b>-13.5%</b> | <b>\$267</b>       | <b>17</b>         | <b>6.3%</b>  |
| <b><u>ON-TRACK HANDLE COMPONENTS</u></b>    |                    |                    |                    |               |                    |                   |              |
| ACCOUNT:PHONE                               | 3,118,268          | 3,047,950          | 70,318             | 2.3%          | 2,895,553          | 222,715           | 7.7%         |
| INTERNET                                    | 4,888,901          | 4,178,117          | 710,784            | 17.0%         | 4,387,023          | 501,878           | 11.4%        |
| ON-TRACK ACCOUNTS                           | 7,769,008          | 6,518,987          | 1,250,020          | 19.2%         | 6,844,937          | 924,071           | 13.5%        |
| ON-TRACK HANDLE                             | <u>26,198,607</u>  | <u>26,697,550</u>  | <u>-498,943</u>    | <u>-1.9%</u>  | <u>17,491,620</u>  | <u>8,706,987</u>  | <u>49.8%</u> |
| TOTAL NYRA ON-TRACK HANDLE                  | 41,974,784         | 40,442,605         | 1,532,179          | 3.8%          | 31,619,133         | 10,355,651        | 32.8%        |
| DAILY AVERAGE ON-TRACK HANDLE               | 1,199,280          | 1,064,279          | 135,000            | 12.7%         | 878,309            | 320,970           | 36.5%        |
| <b><u>OFF-TRACK HANDLE</u></b>              |                    |                    |                    |               |                    |                   |              |
| NYOTB DOWNSTATE                             | 34,480,648         | 50,555,796         | -16,075,148        | -31.8%        | 43,998,621         | -9,517,973        | -21.6%       |
| NYOTB UPSTATE                               | 8,655,472          | 9,907,419          | -1,251,948         | -12.6%        | 8,127,421          | 528,051           | 6.5%         |
| INTRASTATE                                  | 5,138,953          | 5,105,556          | 33,397             | 0.7%          | 4,205,148          | 933,805           | 22.2%        |
| INTERSTATE+CANADA                           | 162,411,103        | 161,693,878        | 717,225            | 0.4%          | 142,423,690        | 19,987,413        | 14.0%        |
| TOTAL OFF-TRACK                             | 210,686,176        | 227,262,650        | -16,576,474        | -7.3%         | 198,754,880        | 11,931,296        | 6.0%         |
| DAILY AVERAGE OFF-TRACK HANDLE              | 6,019,605          | 5,980,896          | 39,009             | 0.7%          | 5,520,969          | 498,636           | 9.0%         |
| <b>TOTAL HANDLE</b>                         | <b>252,660,959</b> | <b>267,705,254</b> | <b>-15,044,295</b> | <b>-5.6%</b>  | <b>230,374,013</b> | <b>22,286,947</b> | <b>9.7%</b>  |
| <b>DAILY AVERAGE TOTAL HANDLE</b>           | <b>7,218,885</b>   | <b>7,044,875</b>   | <b>174,009</b>     | <b>2.5%</b>   | <b>6,399,278</b>   | <b>819,606</b>    | <b>12.8%</b> |

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